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January 3, 2023

The Honorable Michael S. Regan Administrator U.S. Environmental Protection Agency 1200 Pennsylvania Avenue, NW Washington, D.C. 20460

Dear Administrator Regan:

The Environmental Financial Advisory Board (EFAB) is pleased to submit the following guidance and considerations pertaining to the Greenhouse Gas Reduction Fund (GHGRF), developed by the EFAB's GHGRF workgroups. The GHGRF represents an unprecedented new opportunity for the EPA to play a critical national role in catalyzing funding for greenhouse gas reductions — particularly in low-income and disadvantaged communities.

As you know, the EFAB works to provide the EPA administrator and other leadership with guidance and expertise on a variety of environmental financing and investment topics, issues, and challenges. The EFAB is composed of volunteer members and provides critical representative perspectives from the EPA's diverse customers, partners, and stakeholders – with a focus on the financial community and its capacity to deliver effective financing to advance the nation's most pressing environmental financing issues. The EFAB GHGRF workgroups embraced their work on an unusually accelerated timeline with a keen eye towards how the EPA can efficiently and effectively stand up and implement the GHGRF, as provided for in the Inflation Reduction Act of 2022, for maximum impact.

GHGRF Charge Approach

Upon approval of the GHGRF charge on October 19, 2022 (Attachment 1), the EFAB created three workgroups to evaluate each specific charge component: (1) Objectives; (2) Program Structure; and (3) Execution, Reporting, and Accountability. Given a tightly compressed timeline related to statutory guidelines, each workgroup drew on its own expertise as well as constituent networks. Workgroups conducted interviews and reviewed public comments throughout deliberations to thoroughly address charge questions. Workgroup members also considered the overlap in charge components and sought to incorporate alignment where appropriate.

The EFAB's deliverable for this charge does not provide a comprehensive or exhaustive assessment; rather it provides a suite of options for the EPA to consider when designing, executing, and evaluating the GHGRF. It should be noted that EFAB members are not experts in interpreting legislative language but were asked to broadly weigh in on the GHGRF given their professional background and expertise. The EFAB understands that the EPA will make its own determinations around what is ultimately feasible under the legislation, and that the GHGRF will be subject to and follow the EPA's Policy for Competition of Assistance Agreements.

Summary of Deliverable for EPA Consideration

The enclosed slide deck (Attachment 2) and public comments received (Attachment 3) comprise the full scope of our work on this charge. The slide deck covers the considerable nuance and complexity of questions posed in the charge – grouped by three components – to the extent time allowed for EFAB deliberations on alternatives and approaches that the EPA might consider as it designs the GHGRF program.

The EFAB received an unprecedented number of public comments during its two months of deliberations. Members were impressed by the diversity, quality, and thoughtfulness of the comments received and felt strongly that comments should be part of the deliverable to the EPA, since there was not time to incorporate all the deep thinking put forward in comments into the EFAB's final product.

In addition to the slide deck and public comments, the EFAB highlights the following items for the EPA's consideration related to this charge:

- (1) Tensions among Goals The legislation contains several competing tensions among five broad goals that the EPA will need to balance while ensuring good stewardship of taxpayer dollars for maximum impact. These tensions include the desire to maximize greenhouse gas reductions through "shovel-ready" deployment that can move money expeditiously, including into large projects, versus a focus on smaller-scale projects and capacity building goals that necessarily take longer and, in the case of capacity building, are specifically enabled in the legislation by the allowance of grants for technical assistance. Tension also exists between balancing equity and access goals for low-income and disadvantaged communities and achieving GHGRF leverage goals and ongoing operability goals. These fundamental tensions require a careful balancing act by the EPA. The EFAB provides some frameworks for the EPA's consideration on this front.
- (2) Overlap and Integration across Three Charge Components Considerable overlap exists across the questions raised in the three charge components. The workgroups largely worked independently of each other, given time constraints and volume of work, but considered points of integration where possible. It should be acknowledged that there was more work to do on this point and the EFAB encourages the EPA to think holistically across the three components when reviewing the materials produced and to consider further points of integration and overlap.
- (3) Competitive Process GHGRF legislation provides a clear remit for a competitive process. While the EFAB did not spend much time on this requirement in its deliberations and presentation, the EFAB understands the EPA will run a competitive process for each of the three funding streams created. The EFAB sees tremendous opportunity for the EPA to use the competitive process to surface proposals that put forward strong collaborative partnership approaches that maximize impact across the competing tensions described above and along a defined value chain of activities.
- (4) Tribal Considerations Given the complexity of issues facing Tribes, particularly related to greenhouse gas reducing projects, the EFAB encourages the EPA to consider creating a carve-out within the \$7B program specifically for Tribes, including a longer timeline to apply for funding.

- (5) Role of Intermediaries The EPA has an opportunity to leverage the role of intermediaries in the GHGRF program, given the size of this new program and the wide range of potential indirect recipients, project beneficiaries, and project types. Intermediaries could help the EPA to: (1) ensure appropriate management of compliance and regulatory requirements, especially over the long term, after money is distributed in 2024 as is required; (2) flow requirements down to indirect recipients and project beneficiaries and then aggregate results and report back up to the EPA; and (3) help to address complex issues such as how to calculate greenhouse gas reductions across a wide range of technologies, market segments, and geographies, and how to report other impacts and benefits resulting from the GHGRF. The EPA has deep experience using intermediary agencies for loans via the State Revolving Fund (SRF) program. The EPA has the opportunity to extend the intermediary strategy to grant programs like the GHGRF and beyond to maximize efficiency and elevate a focus on specific desired outcomes across a wide network of organizations managed by intermediaries.
- (6) Ongoing Budget Allocation If the EPA determines that the GHGRF is successful in meeting its desired outcomes, it might consider working with Congress and the Administration in the future to make ongoing budget allocations to the fund, like the EPA's SRF or the U.S. Treasury's CDFI Fund.

Conclusion

We want to acknowledge that it is highly unusual for the EFAB to take on a charge of this magnitude on such a compressed timeline. I would like to thank the GHGRF charge workgroup co-chairs, workgroup members, and entire EFAB membership for their time and service on this important charge. Given the depth of collective knowledge coalesced amongst EFAB members, we would welcome the opportunity to continue to engage with the EPA on the GHGRF, including considering additional charges on the topic.

We particularly want to thank Alejandra Nunez and Timothy Profeta for their extensive engagement with the GHGRF workgroup members and co-chairs throughout the intense two-month deliberation process, and with the full EFAB across four public meetings. We appreciated their willingness to provide insights into EPA perspectives when asked to do so, while respecting the EFAB's independence. We also want to thank the EPA team that supports the EFAB: Edward Chu, Tara Johnson, Andrew Wynne, and Taylor Pollak. They always conduct themselves with the utmost professionalism, and for this charge, they went above and beyond to support the EFAB's work.

Lastly, we would love to host you at our next EFAB meeting to discuss any updates and implementation plans for the GHGRF that can be shared. We thank you for the opportunity to be of service to this important and emerging program.

Kerry E. O'Neill

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Chair

Environmental Financial Advisory Board

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GHGRF Charge - Objectives Workgroup

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GHGRF Charge – Execution, Reporting, and

Accountability Workgroup

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GHGRF Charge - Execution, Reporting, and

Accountability Workgroup

Attachments

- 1. EFAB GHGRF Charge Approved 10/19/2022
- 2. EFAB GHGRF Charge Slide Deck Approved 12/15/2022
- 3. EFAB GHGRF Charge Public Comments Received (through 12/15/2022)

cc: Edward H. Chu, Designated Federal Officer, Environmental Financial Advisory Board
Alejandra Nunez, Deputy Assistant Administrator for Mobile Sources, Office of Air and Radiation
Timothy Profeta, Senior Advisor, Office of Air and Radiation (on an IPA assignment)

EPA Environmental Financial Advisory BoardGHGRF Charge

Public Meeting

December 15, 2022

What is EFAB?

EFAB is a Federal Advisory Committee, an independent advisory body chartered under the Federal Advisory Committee Act (FACA) with members representing various constituencies.

- All meetings are open to the public.
- All materials are available online via FPA's website.

For more information on EFAB, visit: https://www.epa.gov/waterfinancecenter/efab.



· EFAB Charter and Guidance

EFAB Activity Summaries, Publications, and Reports

Charge Background and Summary

Section 60103 of the Inflation Reduction Act of 2022 – Amended the Clean Air Act to create a new program: the Greenhouse Gas Reduction Fund (GHGRF).

• This first-of-its-kind 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.

The GHGRF 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 zeroemission 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 launched a coordinated stakeholder engagement strategy to help shape the implementation of the GHGRF and ensure economic and environmental benefits are realized by all Americans.

- Public Listening Sessions November 1 and November 9, 2022; recordings available online.
- Request for Information Public comment period open until December 5, 2022.
- Solicitation of Expert Input from EFAB.
 - October 19, 2022 Formal charge questions presented by EPA and approved by EFAB.
 - December 15, 2022 Final charge deliverable presented by EFAB.

Charge Status

EFAB created three (3) workgroups for three (3) categories of charge questions:

- 1. Objectives;
- 2. Program Structure; and
- 3. Execution, Reporting, and Accountability.

Workgroup Progress

- Given the extremely compressed timeline of this charge (2 months vs. 1-2 years), workgroups have drawn on their own expertise and that of their constituent networks, reviewing public comments and other readily available literature.
- Materials are in no way meant to be exhaustive; they represent a summary of workgroup deliberations.
- Workgroups have largely been working independently, with some coordination on overarching themes.

Today: Present and review the final EFAB GHGRF charge deliverable (full slide deck) and hold two (2) EFAB votes:

- 1. To approve the deliverable.
 - The deliverable contains EFAB "options for EPA consideration" for the GHGRF, not recommendations.
- 2. To authorize the creation of a transmittal letter to EPA.
 - The transmittal letter will note key themes and summarize the deliverable.
 - It will be shared with EFAB for a vote to approve (via email) before officially submitting, with the deliverable and public comments, to EPA.

Objectives Workgroup

Workgroup Overview

This workgroup was asked to provide <u>considerations</u> around the GHGRF's objectives, including:

- How to fund and/or finance projects intended to reduce GHG emissions that are not being resourced today, particularly in low-income and historically disadvantaged communities;
- Program Efficiency; and
 - Design Elements (e.g., leverage, additionality).
 - Complementary Programs and Structures.
- Environmental Justice / Definition of "Low-Income and Disadvantaged Communities."
 - Definition and Support Considerations.
 - o Technical and Financial Assistance, including application support assistance.

Key Challenges to Achieving GHGRF Objectives

- There is a lack of requisite capital at reasonable costs and flexibility.
- Priority areas for reducing GHGs (e.g., agriculture, buildings, industry, transportation) may not readily lend themselves to existing funding structures in priority communities.
- There is a lack of technical and human capacity to plan and prepare for grant applications, financing, and project development.
- There is a lack of start-up "capital" (e.g., technical assistance, planning / predevelopment grants).

Overarching Approach to GHGRF Objectives

1. Balance equity and access objectives with leverage objectives.

- Seek higher levels of financing leverage (hard and soft match) for projects in communities with greater capacity and access to resources.
- Have lower leverage (hard and soft match) requirements for projects requiring some subsidization, associated with less resourced communities.
- No leverage requirements for grant funded projects primarily intended to provide various benefits / technical assistance to disadvantaged communities.

2. Balance need for "shovel-ready" projects with capacity building goals.

- Goal is rapid deployment, so project-specific criteria should focus on that.
- Conventional meaning of "shovel-ready" projects (e.g., designed, engineered, permitted) is only one path to achieving rapid deployment, and could exclude projects that could/should be supported by one or more of the GHGRF streams.
- Consider development of other indicia of rapid deployment; to the extent there is still an interest in elevating "shovel-ready" projects, this could include a one to two (1-2) year design period.

Overarching Approach to GHGRF Objectives

3. Acknowledge a variety of mandates and objectives in the short-term.

- Leveraging financing and ensuring GHGRF funds flow to disadvantaged communities will not always lead to prioritizing the same types, sizes, or timeframes of projects or community supports.
- In the long-term, investing in community capacity, technical assistance, and the ability to develop a wider array of projects and sizes will sustainably increase GHG reduction ability on a national level; however, this approach may not always optimize for leverage and "shovel-readiness" in the short-term.
- Another framing for this principle is balancing the interest in "building balance sheets" vs "building markets" interventions can build the capacity of key players in a marketplace and/or support the scale and impact of a marketplace; both are important for long-term impacts.
- EPA has flexibility to design the GHGRF to empower states, municipalities, tribes, and eligible entities to select solutions that accomplish only one of these objectives well, while ensuring performance of both in the aggregate. For example, EPA could enable project selection that:
 - Prioritizes GHG reduction projects that provide direct benefits to disadvantaged communities, but that will not necessarily leverage private capital in the short-term (e.g., capacity building, workforce development, reduction of localized pollution).
 - Enhances funding additionality and recycling that may not provide immediate benefits to disadvantaged communities but are likely to provide funding sustainability for GHG reduction programs for the long-term (beyond 2024).
 - Establishes performance metrics demonstrating that selected projects in the aggregate accomplish objectives.

Overarching Approach to GHGRF Objectives

4. Ensure eligible recipient(s) are positioned to serve priority communities effectively.

- To meet the Congressional directives to not only reduce GHGs but also to serve and benefit low-income and disadvantaged communities, it will be important that the direct recipient(s), as well as indirect project applicant(s), have the capacity and experience to ensure that those communities and their interests are well represented.
- Additionally, in alignment with Justice 40, intentional support of Black, Indigenous, and People of Color (BIPOC)-led organizations and communities will help EPA achieve GHG reduction goals in under-resourced communities that are also the most burdened and most vulnerable to GHG-related impacts.
- To these ends, it is important for EPA to incorporate consideration of diversity, equity, and inclusion within the leadership, structure, and decision-making of eligible recipient(s), as well as demonstrated record of success in working with and addressing the needs of low-income and disadvantaged communities.
- Centering representative, proximate, and diverse perspectives among the value chain of recipient(s) will increase equitable opportunities for communities to access GHGRF funding. Ideally, this will also provide accountability and feedback loops from communities back to EPA.
- Resourcing a diversity of decision makers with deep experience in low-income and disadvantaged communities may also help mitigate potential harms arising from the GHGRF, such as:
 - Many low-income households are already indebted, and any new consumer financial products should not aim to increase household debt.
 - O Similarly, city-funded rebate programs may count against taxable income thresholds for low-income families and risk compromising other critical supports for housing, childcare, or food (known as the "benefit cliff" issue).

Designing for Flexibility to Meet Varying Mandates

- Near-term trade-offs between program efficiency and program objectives might be:
 - GHGRF timeline vs. measurable GHG reductions;
 - Leveraging and recycling funds vs. capacity building in communities;
 - Community reach vs. timeline / administrative burden;
 - o Benefits reaching low-income and disadvantaged communities vs. long-term financial sustainability requirements;
 - Prioritizing GHG reduction performance in the first year of the program could disadvantage efforts to build lowincome and disadvantaged communities' capacity to develop GHG reduction initiatives and projects; and
 - o "Shovel-ready" vs. community-supported projects.
- In response, the GHGRF funding streams could be subject to varying weights and objectives in order to achieve multiple goals. For example:
 - \$7B to States / Municipalities / Tribes could be more heavily weighted towards capacity building, low-income community impacts and programs, and additionality (projects that wouldn't otherwise get done).
 - \$12B could be more heavily weighted towards leverage and capital recycling, long-term sustainability of financial assistance, and scale of GHG impacts.
 - \$8B could be more heavily weighted towards capacity building, additionality, long-term sustainability, and technical assistance.
- Additionally, emphasis could vary based on the nature of <u>both</u> direct and indirect recipient(s).

Program Efficiency – Design Elements

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?

This workgroup provided guidance in terms of:

- Strengths and weaknesses of each of the above elements by recipient / project type;
- Strong fits and weak fits of each element by recipient / project types; and
- Careful perusal of the public comments, which provide a wealth of specific examples from other programs for EPA's consideration.

GHGRF Design Elements by Direct Recipient Type and Suggested Relevance ("weight")

Aligned Recipient	Leverage	Additionality	Capital Recycling	Capacity Building	Long-Term Operability
States / Municipalities / Tribes	Low weight	High weight	Medium weight	High weight	Medium weight
National Green Bank / Fund	High weight	Medium weight	Medium weight	Low weight	High weight
Collective Action – Regional	Medium weight	High weight	Medium weight	High weight	Low weight
Collective Action – Sectoral	High weight	Low weight	Medium weight	Medium weight	Medium weight
Lender Intermediaries	High weight	Low weight	High weight	Low weight	High weight

Program Efficiency – Design Elements

Design Element	Strengths / Weaknesses	Strong / Weak Fits	Aligned Recipients
Leverage: The ability of a recipient or project to evidence additional private sector funding sources	 Strengths Crowds in additional dollars from other sources Enables larger projects Stretches taxpayer resources further Can provide risk mitigation for private capital Weaknesses Burdensome from a structuring and transaction cost standpoint May increase cost of capital Less workable in smaller projects 	Strong Fits Large asset-backed projects Subordinate tranches in structured funds Nonprofit and commercial projects Residential solar leases Weak Fits Smaller community-based organizations Smaller municipalities Matching technical assistance dollars Non-commercial project costs (e.g., predevelopment)	Higher Leverage States / Municipalities / Tribes National Green Bank / Fund Lender Intermediaries Lower Leverage Collective Action – Regional Collective Action – Sectoral
Short-Term Capacity Building: Use of funds is predominantly to hire expertise / staff to improve communities' ability to plan and execute GHG reduction projects	 Strengths Enables attribution to leaders, organizations on successful projects May enable projects in disinvested / overlooked communities Weaknesses Challenging to measure and easy to critique May complicate decision-making around eligible projects Doesn't always collaborate well with other funding sources 	 Strong Fits Where capital has historically not been invested Where funding is clearly taking "de-risking" role for private capital Planning and pre-development funding Weak Fits Industrial / large-scale projects Loss-sharing guarantees Pari passu funding structures Senior debt 	 More Additionality States / Municipalities / Tribes National Green Bank / Fund Collective Action – Regional Combination of Structures Less Additionality Collective Action – Sectoral Lender Intermediaries

Program Efficiency – Design Elements

Design Element	Strengths / Weaknesses	Strong / Weak Fits	Aligned Recipients
Capital Recycling: The ability of recipient(s) to recycle / redeploy the funding provided over time	Strengths Bolsters financial sustainability of recipient(s) for the long-term Ensures long-term impacts after program funding window is closed Builds intermediary capacity Enables strong leverage opportunities Weaknesses	Strong Fits • Financial intermediaries who are lenders Weak Fits	 Higher Recycling Ability National Green Bank / Fund Collective Action – Regional Collective Action – Sectoral Lender Intermediaries Lower Recycling Ability
	 Desire to recoup capital reduces risk tolerance of funds Incentives for recipient(s) may be at odds with purpose (e.g., funds may be used for reserves or liquidity vs. deployment) Ability to recycle capital within reporting period may be limited by long-term project finance cycles, which are common in energy (20 years) 	 Equity investments (because of both illiquidity and risk) Start-up capital Technical assistance 	States / Municipalities / Tribes
Additionality: Demonstrating the essential contribution of the GHGRF to getting the project	 Strengths Evident and persistent demand for capacity building support, especially in low-income / disadvantaged communities High demand for in-community, long-term human capacity Can increase uptake / demand for financial assistance / pipeline projects 	 Strong Fits Middle and low-income communities with the most to gain from technical assistance and funding navigator support In communities with coordinated access to long-term technical assistance funding When paired with green workforce development to increase local skilled workforce For short-term trainings around grant applications, reporting, and compliance 	 Stronger Capacity Building States / Municipalities / Tribes Collective Action – Regional Combination of Structures
done; "but for this funding"	 Weaknesses Once money is allocated, limited future funding sources Short funding period incentivizes use of consultants vs. full-time hires No leveraging / recycling ability Overlooked communities may be unaware of funding opportunities and lack grant application bandwidth 	 Planning uses for GHG projects Weak Fits Not as well suited to project-specific funding 	 Weaker Capacity Building National Green Bank / Fund Collective Action – Sectoral Lender intermediaries

Program Efficiency – Design Elements

Design Element	Strengths / Weaknesses	Strong / Weak Fits	Aligned Recipients
Long-Term Sustainability Reporting:	 Strengths Reassures EPA of recipient(s)' abilities to manage, invest, and report upon funds in compliant and efficient ways Recipient(s) with stronger long-term financial sustainability have: Proven track record of completing GHGR projects Proven ability to reach low-income and disadvantaged communities Greater likelihood of project completion Greater ability to recycle and leverage capital 	 Strong Fits Established financial intermediaries The lead partners (or primes) of a regional or sectoral collaboration Quasi-governmental development entities and other public sector agencies (e.g., EDCs, HFAs, Port Authorities) 	 Stronger Sustainability Reporting States Collective Action – Regional Collective Action – Sectoral Lender Intermediaries
	 Weaknesses Burdensome for small entities Challenging to apply to many governmental entities Challenging to track across indirect recipient(s) in a standardized manner Difficult to apply to newly created or yet to be created entities 	 Weak Fits Intermediaries with limited track record or historical financials Community-based organizations reliant upon grant funding Municipalities and agencies with lower credit ratings 	 Weaker Sustainability Reporting Municipalities / Tribes National Green Bank / Fund Combination of Structures

Program Efficiency – Complementary Programs and Structures

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?
- The opportunity to design the GHGRF so that it amplifies and advances other programs with similar and/or overlapping goals is very large, encompassing dozens, if not hundreds, of potentially aligned initiatives.
- Identifying a full set of such programs is thus beyond the capacity of the current EFAB assignment, which has focused instead on developing a set of guiding principles to support EPA in prioritizing identification of such programs.
- Coordination with other agencies and connecting program recipients can enable alignment with the GHGRF over time.

Program Efficiency – Complementary Programs and Structures

Guiding principles / "good fits:"

- Use Justice40 not as a "maximum" target to be achieved, but as minimum starting point for the entire program;
- Share emphasis on low-income / disadvantaged communities (definitions may vary), specifically programs focusing on and/or filling gaps. For example:
 - o Energy efficiency measures for low-income housing and technical assistance for same.
 - o DOE's Energy Infrastructure Reinvestment Program.
- Water efficiency programs (water / energy nexus), including SRF Green Reserve;
- Where the GHGRF could provide matching funds required by other infrastructure programs;
- Tax credits intended to incentivize energy efficiency and reduced GHG emissions;
- Seek defined co-benefits in communities;
- Clean energy programs that share GHG reduction objectives, preferably with the ability to measure GHG impacts;
- Reach communities across the U.S. and/or state-level at a minimum with emphasis on low-income / disadvantaged communities;
- Established relationships with direct recipient(s), especially states / municipalities / tribes; and
- Funding programs that focus on de-risking projects for later private investment.

"Nice to haves:"

- Workforce development components in the "green economy;" and
- Focus on orphan projects / additionality.

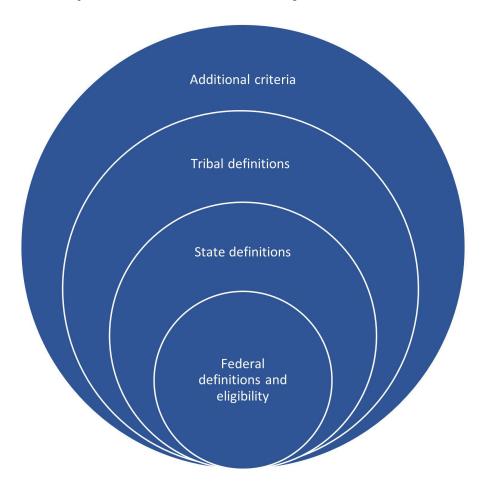
Environmental Justice / Definition of "Low-Income and Disadvantaged Communities" — Definition and Support Considerations

Guiding principles and considerations:

- Provide clarity to direct and indirect recipient(s) and participants about EPA's expectations;
- Acknowledge that no one definition will meet the needs of every region, state, tribe, and/or community;
- Any definitions used should increase inclusion of communities and organizations for consideration;
- Acknowledge the importance of defining disadvantaged communities more broadly than by median income or other existing federal and/or state metrics. For example:
 - o Recognize that communities are not always bounded by political boundaries (e.g., cities, townships, counties).
 - A community may be as small as a census tract.
 - o Tribal communities and nations may use different definitions from states and municipalities.
- Encourage the use of EJSCREEN and other federal mapping tools;
- Acknowledge that existing federal and tribal criteria used today may not be sufficient to capture sub-populations in large cities, as well as unique challenges in rural communities; and
- As part of the grant management process, work with direct and indirect recipient(s) to develop aggregate measures that can capture the impact of the GHGRF on priority communities.

Environmental Justice / Definition of "Low-Income and Disadvantaged Communities" – Inclusive Model for Defining

In addition to existing definitions, accept and allow for the use of additional criteria in guiding principles to ensure inclusive and equitable access to GHG and localized pollution reduction benefits.



Project-Level Fund Eligibility: Defining "Low-Income / Disadvantaged Communities"

Guiding Principle	Strengths / Weaknesses	
Acknowledge the importance of defining disadvantaged communities more broadly than by median income or other existing federal and/or state metrics	 Strengths Ability to optimize project benefits and expand range of solutions Enables a more inclusive and equitable access to GHG reduction funds and benefits Weaknesses May create measurement and tracking challenges Guardrails needed to ensure the definition does not become all-encompassing 	
Accept existing federal definitions and eligibility criteria (e.g., HUD Area Median Income, DHS TANF eligibility criteria, SBA size standards)	 Strengths Easier for EPA to deploy quickly Supports standardized reporting nationwide Allows for eligibility on the household / entity level Weaknesses May not be optimized for pollution reductions May make it harder to include pockets of low-income and disadvantaged communities that have been historically excluded from federal support 	
Accept state and tribal definitions (by statute) as applicable and when they prove to increase inclusion	 Strengths Aligns with existing state priorities and funding programs Prioritized projects on Intended Use Plans could be screened for GHG reduction potential Weaknesses May not be optimized for pollution reductions May make it harder to include pockets of low-income and disadvantaged communities that have been historically excluded from state support 	

Project-Level Fund Eligibility: Defining "Low-Income / Disadvantaged Communities"

Guiding Principle	Strengths / Weaknesses		
Encourage the use of EJSCREEN and other federal mapping tools	 Strengths Standardized eligibility nationwide Easy to access Easy for EPA to deploy Weaknesses Excludes a significant number of communities May miss sub-areas and sub-populations within large boundaries Some tools may not be optimized 		
Acknowledge that existing federal and tribal criteria used today may not be sufficient to capture sub-populations in large cities, as well as unique challenges in rural communities	 Strengths Ability to optimize for GHG reduction and community co-benefits Inclusive of sub-populations within larger cities and rural locales lacking critical infrastructure Inclusive of other important criteria (e.g., health burdens caused by pollution levels, cost of energy, cost of housing / living, climate fragility) Weaknesses Depending on whether the criteria is flexible or formulaic, could be overly complex without ensuring equitable inclusivity May create tracking challenges 		

Environmental Justice / Definition of "Low-Income and Disadvantaged Communities" — Technical Assistance*

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

The GHGRF could support a wide variety of TA, for both institutions disbursing funds and for communities to help develop projects that can eventually seek resources from the GHGRF.

Type of TA will vary across phases of implementation and based on:

- Project Applicants;
- Project Types;
- Local Benefit Pathways; and
 - Workforce benefits.
 - o Economic development benefits.
 - o Public health benefits.
- Issues faced by community.

Third parties to coordinate across communities and departments and create capacity to develop, apply, fund, and implement projects. These could be national or regional organizations or include very localized community groups. Examples include but are not limited to:

- NGO Navigators to provide funding TA for application support;
- NGOs to provide project development, design, and implementation support;
- · AmeriCorps;
- State extension programs;
- USACE Silver Jackets:
- Engineers Without Borders; and
- Senior design projects at accredited university engineering programs.

Environmental Justice / Definition of "Low-Income and Disadvantaged Communities" — Technical Assistance

TA needs will vary across all aspects of implementation and depend on several factors, including:

- Who needs assistance (e.g., project developers, communities, local government entities, households)?
- Project type (e.g., agriculture, buildings, industry, transportation)?
 - Identifying funding opportunities and synergies;
 - Applying for funds;
 - Broader project financing analysis;
 - Project design and implementation planning;
 - o Identifying relevant case studies and other project-related research;
 - Economic analysis;
 - Data development and analytics;
 - Developing and deploying performance metrics;
 - Legal and policy analysis;
 - Community outreach and education; and
 - Long-term capacity building.
- Benefits being achieved?
 - o Funding benefits: TA for funding application assistance and other "navigator" support.
 - Local workforce development: TA for project development, design, implementation planning workforce training, and small business development.
 - Public health: TA for mapping to identify high leverage pollution reduction opportunities / needs, project design and development, large-scale and more localized projects, and performance metrics to demonstrate connections.

Environmental Justice / Definition of "Low-Income and Disadvantaged Communities" — Financial Assistance*

Charge Question I.a.iii: What kinds of ... 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.

- Given the capital constraints evidenced across the country, providing direct financial assistance to communities and
 project proponents in the form of grants will most immediately advance projects in low-income and disadvantaged
 communities. As a secondary tool, low-cost and patient debt is also an accelerant for these projects, when paired with
 adequate pre-development resources.
- EPA might also consider that the effectiveness of financial assistance goes beyond the tools and resources themselves, to the pathways through which such support is provided. To this end, developing principles around financial assistance would be additive, such as:
 - Prioritize pathways for the funding streams dedicated to and/or led by low income / disadvantaged communities, through entities and institutions set up to fund projects at the neighborhood or community level, with accountability to those communities.
 - Prioritize funders and lenders with strong representation within and ties to the communities they serve, thereby providing community-centered TA delivered by trusted experts.
 - Take advantage of lessons and best practices developed by other federal and state initiatives around lending to small businesses, including the U.S. Treasury's Office of Small and Disadvantaged Business Utilization, State Small Business Credit Initiative (SSBCI), and Department of Commerce's assistance programs focused on underserved entrepreneurs.

Environmental Justice / Definition of "Low-Income and Disadvantaged Communities" — Financial Assistance

- Additionally, GHGRF recipient(s) among all funding streams, including state and tribal recipient(s), could adopt financing tools and policies aimed at addressing structural issues that limit access to capital in such communities, such as:
 - Developing flexible or forgivable lending structures designed with low-cash flow households in mind;
 - Establishing non-traditional methods of loan repayment (e.g., Pay as You Save, Property Assessed Clean Energy financing); and
 - Adopting policies that facilitate flows of funds towards low-income households within larger programs. For example:
 - Per public comment, Maryland's community solar pilot program required 30% of its solar capacity to be reserved for projects serving LMI households.
 - To further drive adoption of community solar, the state incentivized developers and investors by guaranteeing to recover any losses from non-payment of bills.
 - In exchange, developers had to agree to a 20% discount on low-income subscribers' electricity bills with no credit limits / requirements.

Environmental Justice / Definition of "Low-Income and Disadvantaged Communities" — Financial Assistance

- Given the funding window for the GHGRF, partners selected for financial assistance should have already intentionally
 designed their services and products to overcome barriers to capital among low-income and disadvantaged communities.
 For example:
 - o Mission-driven lenders whose product suites are designed for low-income borrowers and undercapitalized projects, such as CDFIs.
 - Capital providers who use alternative underwriting criteria that expand the communities / households that can be served compared
 to conventional FIOC-based models.
 - Florida's Solar and Energy Loan Fund doesn't use conventional underwriting criteria to serve LMI clients, and still achieves a default rate of < 2%.
- Consider the value of indirect financial assistance (e.g., support for initiatives that may not provide immediate GHG reductions, but build the local ecosystem required to support GHG reduction projects in ways that generate local economic development over the long-term). Examples include:
 - o Accelerators or gap financing to support low emission business establishment; and
 - o Workforce development support for the requisite local zero-emission businesses, including weatherization, electrification, etc.
- Given the vulnerability of lower-income households to predatory lending practices, which can cause over-indebtedness, EPA may benefit from consulting with the Consumer Financial Protection Bureau and/or nonprofit organizations like the Center for Responsible Lending on "do no harm" standards for loan products that aim to serve low-income households.

This workgroup acknowledges that this is a much larger topic than could be adequately addressed in the time available, and notes there is a rich set of examples of financial assistance approaches in the public comments to EPA.

Potential Indicators of Success

- GHG reduction impacts.*
- Low-income and disadvantaged community impacts. For example:
 - Capacity building and technical assistance deployed;
 - Energy burdens / costs reduced for households;
 - Increased access to GHG-reducing products, and increase in affordable financing or grant capital;
 - Workforce initiatives (training, hiring, and retention);
 - Other community benefits (e.g., "greened" areas, health and pollution impacts, walkability indices); and
 - Dollars deployed by BIPOC-led organizations.
- Program efficiency and performance.*
 - Time-bound performance (e.g., deployment and reach);
 - Leverage;
 - Additionality;
 - Recycling; and
 - Sustainability Reporting.

Thank You!

EFAB GHGRF Charge — Objectives Workgroup			
Name	Affiliation	Location	Sector
Margot Kane (co-chair)	Chief Investment Officer, Spring Point Partners LLC	Philadelphia, PA (EPA Region 3)	Business – Financial Services
Cynthia Koehler (co-chair)	Executive Director, WaterNow Alliance	San Francisco, CA (EPA Region 9)	Environmental / Non- Governmental Organization
Ashley Allen Jones	Founder and Chief Executive Officer, i2 Capital	Washington, DC (EPA Region 3)	Business – Financial Services
Angela Montoya Bricmont	Chief Finance Officer, Denver Water	Denver, CO (EPA Region 8)	State / Local Government
Stacy Brown	President and Chief Executive Officer, Freberg Environmental, Inc.	Denver, CO (EPA Region 8)	Business – Financial Services
Ted Chapman	Investment Banking Analyst, Hilltop Securities, Inc.	Dallas, TX (EPA Region 6)	Business – Financial Services
Janet Clements	President and Founder, One Water Econ	Loveland, CO (EPA Region 8)	Business – Industry
Jeff Diehl	Chief Executive Officer, Rhode Island Infrastructure Bank	Providence, RI (EPA Region 1)	State / Local Government
George Kelly	Global Client Strategy Officer, Earth Recovery Partners	Denver, CO (EPA Region 8)	Business – Financial Services
Lawrence Lujan	Executive Director, Taos Pueblo Utility Service	Taos, NM (EPA Region 6)	Tribal Government
Dennis Randolph	City Traffic Engineer, City of Kalamazoo Public Services Department	Kalamazoo, MI (EPA Region 5)	State / Local Government
Sanjiv Sinha	Chief Sustainability Officer, Environmental Consulting and Technology, Inc.	Ann Arbor, MI (EPA Region 5)	Business – Industry
David Wegner	Senior Consultant on Water, Climate Change, and Asset Risk Assessment, Water Science and Technology Board, National Academy of Sciences	Tucson, AZ (EPA Region 9)	Business – Industry
Gwen Yamamoto Lau	Executive Director, Hawaii Green Infrastructure Authority	Honolulu, HI (EPA Region 9)	State / Local Government

Program Structure Workgroup

GHGRF Charge – Program Structure

Workgroup Overview

This workgroup was asked to provide <u>considerations</u> around the GHGRF's program structure, including:

- Eligible Recipient(s);
- Eligible Projects; and
 - Types of Projects / Sectors / Market Segments.
 - Barriers, Gaps to Fill, and Strategies.
 - o Beneficiaries / Low-Income Communities.
- Structure of Funding.
 - Design Requirements.
 - Compliance and Streamlining.

GHGRF Charge – Program Structure

Approach to Evaluations

- This workgroup includes finance professionals from public, private, and philanthropic sectors with expertise in energy, water, agriculture, and more. Since EFAB accepted this charge on October 19, 2022, this workgroup:
 - Conducted interviews within EFAB;
 - Interviewed third-party experts in relevant sectors and types of capital (e.g., community development, technical assistance, project finance, equity); and
 - Reviewed both written and oral public comments.
- Objectives of approach.
 - Highlight list of potential eligible project, recipient, and program structure options;
 - Assess pros / cons (strengths / weaknesses) of options relative to overall program design elements and requirements; and
 - o Inform EPA staff vs. recommend specific options.

Eligible Recipient(s)

Charge Question II.a.i: Who could be eligible entities and/or indirect recipients under the GHGRF?

• Range of state, federally licensed, and nonprofit capital deployment vehicles with reach into disadvantaged communities; specific vehicles map to priority projects and unique needs of communities (non-exhaustive list)

State Green Banks / Infrastructure Banks

Community Development Financial Institutions

Nonprofit or Quasi-Government Green Banks

State Housing Authorities

Credit Unions / LICUs / Special Purpose Credit Programs

Nonprofit Energy / Conservation Funds

State Revolving Funds (Clean Water, Clean Energy)

Community Development
Banks

Nonprofit Social Impact Funds

Tribes / Tribal Intermediaries (Indian Energy Service Center)

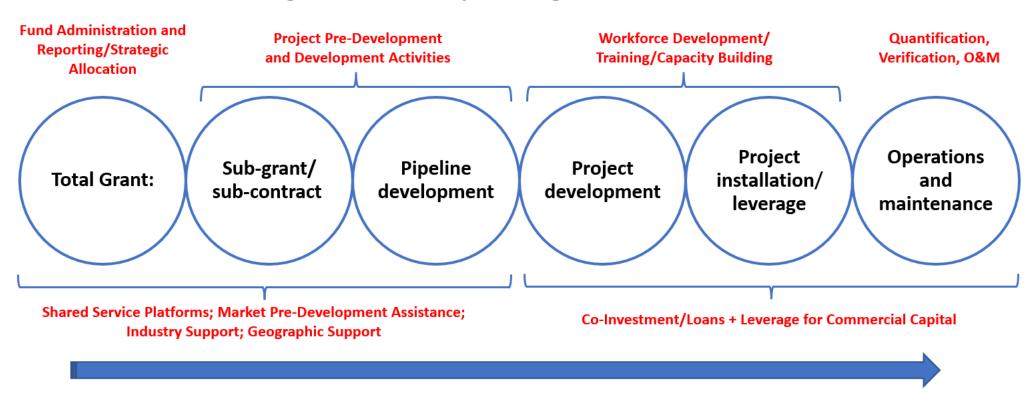
Minority Depository Institutions Community Development or Technology Accelerators

Potential to ask organizations from discrete financial sub-sectors to collaborate to create flexible capital stacks that meet the unique needs of low-income and disadvantaged communities.

Eligible Recipient(s)

Charge Question II.a.i: Who could be eligible entities and/or indirect recipients under the GHGRF?

Strategic Allocation of Capital Along Value-Chain of Activities



Capacity to leverage private sector capital to expand the reach of the program will be an important consideration.

Eligible Recipient(s): JEDI* Lens

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?

- To meet the conditions for what the GHGRF calls "low-income and disadvantaged communities," EPA could
 give special attention and consideration to diverse representation in the leadership and structure of the
 GHGRF direct and indirect recipients. This means that Black, Indigenous, and other People of Color (BIPOC)
 leadership could be centered in the objectives and structures of the GHGRF.
 - o Two potential mechanisms: Special Purpose Credit Programs ("SPCPs") available for credit unions, including Low-Income Designated Credit Unions (LICUs) and Minority Depository Institutions (MDIs).
 - LICUs: To qualify as a LICU, a majority of the credit union's membership (50.01 percent) must meet certain low-income thresholds, based on data from the Census Bureau and requirements outlined in the NCUA's Rules and Regulations (opens new window).
 - MDIs: An MDI may be a federally insured depository institution for which: (1) 51% or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority.

Eligible Recipient(s): JEDI Lens

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?

- Special Purpose Credit Programs ("SPCPs") allow credit unions to offer product enhancements for the benefit of economically disadvantaged classes of persons. SPCPs are explicitly authorized under the Equal Credit Opportunity Act (ECOA) and Regulation B, ECOA's implementing regulation.
 - Regulators recently have encouraged broader adoption of SPCPs to increase access to credit in underserved communities, and HUD recently issued <u>official guidance</u> affirming that properly designed SPCPs, including SPCPs by nonprofits for the benefit of economically disadvantaged classes, also are legal under the Fair Housing Act.
 - Significant data and studies show that individuals and families of color have lower levels of <u>homeownership</u>, <u>wealth</u>, and <u>income</u> than white individuals and families and that borrowers of color have diminished access to affordable credit as compared to white borrowers (including for <u>home-improvement loans</u> and <u>auto loans</u>).
 - Redlining historical and current has created and entrenched racial bias and systemic inequality into financial systems, leading to economic disadvantage. Disparities extend beyond simply financial; disparities in health, environmental quality, and access to energy-efficient technology also exist and reflect historical redlining status. Neighborhoods of color also have less access to solar power than white neighborhoods.

Public data and reporting support that Americans and borrowers of color are economically disadvantaged as a class, and that there are significant additional challenges that could in part be aided through access to clean energy financing and investment.

Eligible Recipient(s): JEDI Lens

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?

Low-Income Credit Unions (LICUs)

- Some credit unions are federally chartered (not-for-profit, financial services cooperative) that provide loans for clean energy and energy saving projects, such as electric vehicles, electric bicycles, residential solar electric systems, residential geothermal systems, and other green home improvements.
- Among these credit unions, some have also been designated by the National Credit Union Administration (NCUA) as a <u>low-income credit union</u>.
- Some LICUs offer an SPCP that centers borrowers of color and low-income borrowers.
- The capacity of U.S. credit unions is over \$1.8 trillion, so there is ample space for scaling clean energy loans; for example, one credit union has originated over 7,000 clean energy loans totaling \$110M+ without a single default as of December 2022.

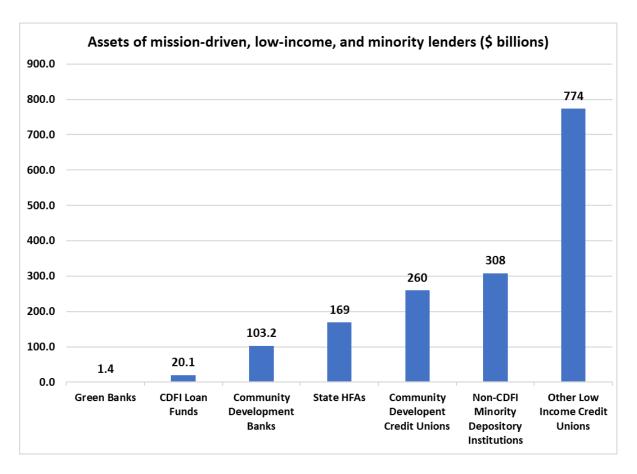
Minority Depository Institutions (MDIs)

- MDIs serve communities that are disproportionately impacted, physically and economically, by climate change.
- MDIs are often the bank of last resort for consumers and businesses underserved by traditional banks and financial service providers.
- In the United States, access to capital for individuals and business owners is uneven based on race. The racial wealth gap remains significant. In 2019, the median net worth of a typical white household, \$188,200, was 7.8 times greater than that of a typical Black household, \$24,100. (Brookings-Broady, McComas and Ouazad).
- Some MDIs have already provided climate-friendly loans, including:
 - Developing and launching solar energy loans;
 Partnering with solar finance experts;

 - Increasing capital flow to climate finance: purchasing climate focused loans from other mission driven lenders;
 - Increasing the interest and capacity of other MDIs in climate friendly financing solutions.

Eligible Recipient(s): JEDI Lens

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?



- 1. 2021 American Green Bank Consortium Annual Report
- 2. CDFI Fund analysis 2020 Annual compliance report data
- 3. National Community Development Bankers' Association
- 4. Fitch Ratings; 2021 NCSHA State HFA Fact Book
- 5. Inclusiv.org
- 6. National Community Development Bankers' Association
- 7. Analysis of NCUA data on federally insured credit unions

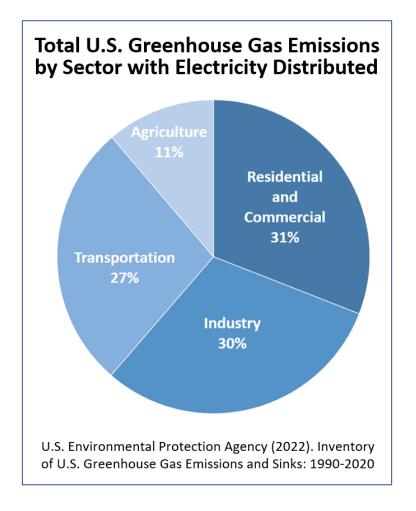
These institutions are already embedded in LMI and DAC communities; opportunity to transform financial entities to prioritize decarbonization activities and projects in their core strategies.

Eligible Projects – Types of Projects / Sectors / Market Segments

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

 To frame what types of projects could be considered, need to understand where the problem is. How can it be solved? Who will benefit? For example, assess the largest sources, sectors, locations of GHG emissions to inform consideration.

Where is the problem?



Eligible Projects – Types of Projects / Sectors / Market Segments*

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

• How can the problem be solved? Considerations may include project size, market gaps, GHG reduction capacity, scalability, community reach and access, etc. List below includes representative examples (not comprehensive).

How can the problem be solved?

Buildings Agriculture / Rural Transportation Housing **Municipalities Technology** Adoption Electric vehicles Energy efficiency Enable urgent repairs •SME loans / grants for Building upgrades prerequisite to high efficiency Community solar Fleet conversions to EV Energy efficiency Energy efficient weatherization equipment (buses, sanitation, manufacturing systems Rooftop solar Water utility upgrades / industrial / warehouse Rooftop solar •Soil / farm practices for new energy systems Other renewable Batteries / storage transportation hubs) carbon capture Energy efficiency (drinking water, energy projects (e.g., Hydrogen Charging infrastructure Forestry assets wastewater) wind, geothermal) oSingle family Recycling solar modules build-outs with focus on Vertical farms Tree canopy and •Community-scale OMulti-family and batteries industrial, rural, lowvegetation development projects Affordable housing Biodigesters income, and multi-•Green infrastructure Nonprofit facilities, Community-scale family housing public facilities, tribal projects Bicycles facilities Heat pumps Reduced emission Heat pumps HVAC upgrades filters for trucks HVAC upgrades Home battery storage

Eligible Projects – Types of Projects / Sectors / Market Segments

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

• Who will benefit from solving the problem? List below includes representative examples (list not comprehensive).

Sector	Use Case (Examples)	Beneficiary (Examples)
Buildings – Residential	Energy efficiency Community solar / wind Rooftop solar Electrification – cooking / heat	LMI LMI LMI Tribes
Buildings – Commercial / Public	Energy efficiency upgrades HVAC upgrades Renewables	Nursing homes / churches / small business Health centers, small business All the above
Water Infrastructure	New treatment process improvements / upgrades Alternative energy for utility infrastructure (net-metering) Energy efficiency	Water and wastewater customers / low-income and disadvantaged communities Urban communities / LMIs
Agriculture	Biochar, biodigesters, manure management, etc. Energy efficient production systems Climate-smart forestry	Rural communities Agricultural producers Watershed users
Industry	Equipment upgrades Tribal oil and gas assets – methane reduction Tribal leasing for solar and wind	LMI communities exposed Tribes
Transportation	Charging infrastructure; fleet conversions – municipal, tribal (e.g., school buses, sanitation trucks, public fleets)	Communities in and around industrial / warehouse areas Users of public transport

Eligible Projects – Types of Projects / Sectors / Market Segments

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

• Targeted technical assistance, along the "value chain" of GHG activities to build the clean energy market segment (e.g., for buildings / solar / energy efficiency to LMI communities).

Contractor / Installer / Solar Developer Capacity Building

- Loans and equity for business growth
- Purchasing cooperatives for equipment and services
- Knowledge sharing training, shared documents, tools, templates, networking

Workforce Development Programs

- Training certificate programs, on-the-job training supports
- For the installer / contractor space
- For project developers (e.g., community solar developers, real estate asset managers, and developers)
- For lenders

Community Outreach and Customer Acquisition

- Solarize and weatherize campaigns
- Social marketing and education efforts
- Support for communitybased planning efforts and for communitybased organizations seeking financial assistance

Regulatory Reform Supports

- Incentives and support for building energy codes, community solar enabling laws, and other efforts to lower regulatory barriers to GHG abatement projects
- (Knowledge-sharing component to complement "race to the top" strategies)

Financial Assistance to Achieve "Pre-requisites" to Building Efficiency and Clean Energy Retrofits

 New roofs, new electrical services, removal of outdated wiring, etc.

Analysis, Planning, and Contracting Assistance for Building Owners

- Information infrastructure for building owners to access energy usage data and benchmark building performance
- Energy audits / other help to identify and scope GHG abatement opportunities
- Contractor vetting / quality control
- Assistance in lining up rebates and incentives
- Different programs covering single-family and multi-family / commercial real estate / community facilities

Lender Operating Platforms

- Standardized loan product designs and documentation
- Technical analysis and review of proposed energy improvements; contractor vetting and quality control
- CRM / tech solutions to speed underwriting, contractor / borrower / lender interaction
- Credit enhancement and secondary market vehicles

Potential to ask organizations from sub-sectors to collaborate and form "clean energy hubs" – work with existing players at national and regional levels + new or expanded players as needed.

Eligible Projects – Barriers, Gaps to Fill, and Strategies

Charge Question II.b.ii.1: What are the barriers to private sector capital?

Charge Question II.b.ii.3: What project-level gaps could the GHGRF fill for each type of project? What form could capital take to fill these gaps?

Barriers to Private Capital (II.b.ii.1)	Gaps GHGRF Could Fill (II.b.ii.3)	Forms of Capital
Project Level: Underwriting risk (payback period, return on investment, revenue vs. cost) Ability to demonstrate energy savings Technical expertise Fragmentation Lack of track record Quality control Tenor (long-term) Operations and maintenance Pre-requisites (e.g., repairs) Project development / supply chain Scale (e.g., C-PACE) On-bill financing resistance (utility) Administrative resistance (PACE)	 Technical assistance including [cost savings analysis, education, adoption requirements, etc.] Pre-condition assistance including [grants for home repairs enabling weatherization] 	 Clean energy loans – single family, multi-family, commercial Energy efficiency loans Revolving loan funds EV auto loans Unsecured loans Blended finance Equipment and appliance loans (e.g., HVAC, energy efficient appliances) C-PACE loans (Commercial Property Assessed Clean Energy loans) Tariff on-bill repayment loans Pay-for-performance contracting mechanisms
Borrower Level: Credit risk Ability to repay Uptake Adoption Split incentives (tenant / owner)	 Market development assistance including [information campaigns, available incentives, community programs] Funding collaboration development including [local funding campaigns, community wide pools, etc.] Provides access to financial products across all borrower types and levels the playing field 	 Green mortgages Small business loans
Capital provider: Balance sheet equity Lack of loan servicing platform Lack of shared services (e.g., IT, insurance) Lack of credit enhancements Lack of climate impact reporting infrastructure	 Balance sheet equity Credit enhancements: Loan loss reserves, interest rate buy-downs, guarantees Technical assistance 	

Eligible Projects – Barriers, Gaps to Fill, and Strategies

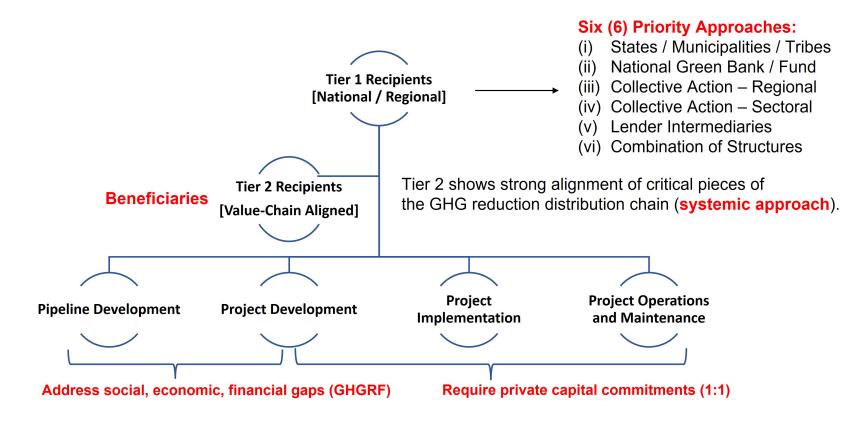
Charge Question II.b.ii.4: Beyond assembling the capital stack for a deal, what other barriers and constraints exist that could constrict the pipeline of successful projects? What program strategies are needed to respond to these barriers and constraints?

Barriers, examples, and strategies listed below are representative examples (not comprehensive).

Barrier	Project Examples	Strategies
Uptake – See LBNL study on driving demand for home improvements	Home improvements	Community-level programs
Interest – Commercial building owner	Energy efficiency, renewable energy, HVAC upgrades, C-PACE	Demonstrated interest, commitment, or pipeline before funding program established
Prerequisites	 Home needs basic repairs (e.g., new roof) before energy efficiency upgrades would be viable Commercial building needs basic energy efficiency upgrades before solar would be viable 	Coordination with State Energy Offices / SEP, pre-development support
Scale – Aggregate impact	Fleet conversions	Systemic programs, collaboration with government agencies

Structure of Funding – Design Requirements

Charge Question II.c.i: How could EPA address these issues through program design?



EPA has an opportunity to create <u>program structures</u> that address barriers and directly support scaled deployment across defined value chains, with emphasis on filling gaps that prohibit expansion and benefits to low-income and disadvantaged communities.

Structure of Funding – Compliance and Streamlining

Charge Question II.c.i: How could recipients comply with relevant federal requirements?

 This workgroup reviewed and discussed this question at a high level and in coordination with the other GHGRF charge workgroups.

Charge Question II.c.i: How can EPA streamline the distribution of funds so that applicable federal and state review can be accomplished in a coordinated and efficient manner?

- Evaluating pros / cons (strengths / weaknesses) of a range of potential options.
- Options include potentially one, few, or many direct recipients:
 - States / Municipalities / Tribes;
 - State Green Banks / Infrastructure Funds / Bond Funds.
 - 2. State Clean Water Revolving / Clean Energy Funds.
 - 3. Tribal Entities / Indian Energy Service Centers / Branch of Tribal Climate Resilience.
 - [Single Entity] National Green Bank / Fund;
 - Multiple potential recipients; and
 - 1. Green Funds.
 - 2. Collective Action Regional.
 - 3. Collective Action Sectoral.
 - 4. Lender Intermediaries.
 - Mixed approach (combination of above).

Evaluation of Structure Options

- Focus on six (6) major potential structure options:
 - States / Municipalities / Tribes;
 - 2) [Single Entity] National Green Bank / Fund;
 - 3) Collective Action Regional;
 - 4) Collective Action Sectoral;
 - 5) Lender Intermediaries; and
 - 6) Combination of Structures.
- Strengths and weaknesses of each option based on proposed design requirements.

1) States / Municipalities / Tribes

Strategy: Solicit competitive proposals from states, municipalities, and tribes <u>and/or</u> allocate funding based on an EPA-established distribution methodology to qualified applicants.

• States / municipalities / tribes would then redeploy funds to other eligible recipient(s), indirect recipient(s), and for technical assistance, and perhaps directly to projects.

Ask applicant(s) to:

- Describe how they will allocate GHGRF funds across their state / municipality / tribe.
- Leverage existing state / municipal / tribal organizations and capacities.
- Underscore how funds will be directly invested in, address barriers to, and/or benefit specific disadvantaged communities in the state / municipality / tribe.
- Demonstrate success with deploying capital and innovation that drives additionality in GHG funding and reductions.

EPA Methodology:

- EPA could manage award from the federal level, potentially with internal teams providing first-level review in relation to requirements and rankings, and expert panels providing second-level review.
- EPA could use a hybrid award model (like WIFIA) that would create an allocation methodology, with funding contingent upon meeting qualifications and conditions under the competitive award process.

1) States / Municipalities / Tribes

Strengths / Rationale

- Equitable access to funds for qualified applicants.
- Public and transparent process to capital distribution.
- State-level expertise addresses unique needs of each state related to LMI, GHG reductions, leverage, etc.
- Many states have well established infrastructure to address GHG solutions (e.g., State Green Banks).
- Some tribal fund mechanisms exist that are better equipped to deal with tribal dynamics.
- Some states have preexisting state-wide GHG reduction laws and funds that can be leveraged.
- Preexisting state infrastructure does not have to be created and could be utilized in the first 180 days to ensure expeditious distribution of funds.

Weaknesses / Challenges

- The competitive application process may disadvantage states / municipalities / tribes where political priorities don't align with statute.
- Limits coordination across regions and sectors that could strengthen outcomes.
- Some states have much less existing infrastructure to receive and distribute funds to disadvantaged communities.
- There may be differences in definitions between federal and state laws.

2) National Green Bank / Fund

Strategy: Solicit competitive proposals from entities to create and manage a single National Green Bank / Fund.

• The National Green Bank / Fund would then redeploy funds to other eligible recipient(s), indirect recipient(s), and for technical assistance, and perhaps directly to projects as well.

Ask applicant(s) to:

- Describe how they will allocate GHGRF funds across the country along a value chain that leads to robust project implementation.
- Detail how funds would address GHG reduction objectives at scale through leveraging existing relationships, organizations and capacities on a national scale.
- Underscore how funds will be directly invested in, address barriers to, and/or benefit disadvantaged communities on a national scale.
- Demonstrate success and efficiency with deploying capital and innovation that drives additionality in GHG funding and reductions.
- Describe how they will retain, manage, recycle, and monetize repayments to ensure continued operability at a national scale.

EPA Methodology:

- EPA could manage award from the federal level, potentially with internal teams providing first-level review in relation to requirements and rankings, and expert panels providing second-level review.
- EPA may impose sub-awardee criteria consistent with applicable guidelines.

2) National Green Bank / Fund

Strengths / Rationale

- Reduced administrative burden to EPA through centralized management.
- Agreements with the funded entity could be structured to provide flexibility over time, allowing shifts in strategy.
- Provides broadest level of ability for the intermediary to claw back funds and redistribute them, including across regions and sectors, to the best opportunities.
- Probably the strongest structure to administer a "race to the top" strategy (inter-state competition based on regulatory reforms) over time.
- Broad network of other eligible recipient(s) currently exist for downstream allocation.

Weaknesses / Challenges

- Elevated management challenge and longer ramp-up time to operationalize.
- Potential multiple layers of intermediation before funds flow to end users.
- Concentration of funds in one entity elevates financial management and political risks.
- Broad scope could create challenges in planning across the whole value chain for all sectors, engaging stakeholders broadly, responding to individual communities.
- Requires new capacity / entity to address the broad remit and requirements, which could delay timely distribution of funds.

3) Collective Action – Regional

Strategy: EPA could set forth a pot of funding for regional approaches by either designating a set of regions (could be EPA regions or other) or by seeking regional partnerships as determined by the applicant(s).

- Ask to see applications from partners within the regions (e.g., lead eligible recipient together with indirect recipient(s), technical assistance providers, other key players).
- Amounts to a series of "regional coordinators" to support GHGRF deployment.

Ask applicant(s) to:

- Identify regional opportunities, barriers, and priorities for GHG reduction.
- Describe how the regional partnership would work together to implement a comprehensive strategy responding to regional needs and interests, including on-the-ground delivery of projects and O&M.
- Describe how the initiative would be guarterbacked.
- Address how funds would address specific GHG reduction objectives and barriers within its regional footprint.
- Underscore how funds will be directly invested in, address barriers to, and/or benefit disadvantaged communities.
- Demonstrate success with deploying capital and innovation that drives additionality in GHG funding and reductions.
- Describe how they will retain, manage, recycle, and monetize repayments to ensure continued operability.

EPA Methodology:

- EPA could fund at least one application per region.
- EPA could specifically request applications from regions that are underserved or lack capacity.

3) Collective Action – Regional

Strengths / Rationale

- Encourage applicant(s) to think about all the partnerships needed to leverage resources, build a robust project pipeline, and ensure that strong implementation capacity is in place.
- Narrowed geographic focus allows for deeper thinking and a more tailored approach to regional needs.
- Still allows EPA to manage a more limited number of regions.
- Potential identification of community-level collaborations within regions.
- If aligned with EPA regions, potentially some ease of administration for EPA using regional offices.
- Regional intermediary could exercise clawback at regional level to re-allocate among regional entities.

Weaknesses / Challenges

- Requires potential new capacity or entity to address the "collective action" requirements.
- Some structures might be better supported at a national scale (e.g., secondary market infrastructure, operating platforms for lenders).
- Management of strategies across different sectors within a region would still be complex and lack consistency and standardization.
- Some EPA regions are not ideally drawn for easy regional collaboration (e.g., Region 2 – NY, NJ + PR / USVI).

4) Collective Action – Sectoral

Strategy: EPA would ask applicant(s) to propose a strategy to address a particular sector (e.g., multifamily housing, single-family home retrofits, EVs, community solar).

• Examine barriers and opportunities related to the value chain of activities to generate GHG reductions including funding and financing, consumer demand generation, training / technical assistance / capacity-building needs, workforce development and supply chain issues; Variant: EPA could invite sectoral collective applications within specific regions (such that the total # of applications funded = # of funded sectors x # of funded regions).

Ask applicant(s) to:

- Pull together partnerships with all the stakeholders needed to address the value chain within a sector ("build the ecosystem").
- Define sector(s), focus on financing needs and non-financing barriers.
- Describe how funds would address GHG reduction objectives within its sector and timelines.
- Underscore how funds will be directly invested in, address barriers to, and/or benefit disadvantaged communities.
- Demonstrate success with deploying capital and innovation that drives additionality in GHG funding and reductions.
- Describe how they will retain, manage, recycle, and monetize repayments to ensure continued operability.

EPA Methodology:

- EPA could define sectors and fund at least one application per sector (e.g., low-income housing, commercial buildings, water infrastructure, agriculture, industry, transportation).
- Independent sector experts could serve on selection committees.

4) Collective Action – Sectoral

Strengths / Rationale

- Promotes innovative thinking and collaboration across the whole value chain – demand generation, pipeline creation, implementation, O&M.
- EPA could make determinations about certain sectors where it wants to make larger investments / perceives greater opportunities.
- Greater possibility to build platforms that facilitate investment in a specific sector (e.g., Smart-E for single family housing energy retrofits).
- Several entities are well positioned to run a sector-based approach.

Weaknesses / Challenges

- National sectoral strategies would still need to account for differences from region to region (e.g., different regulatory regimes, electricity pricing and markets, climate factors in building design).
- Not that many truly national players with a focus on one specific sector, although there are some.
- Going to a sectors-by-regions approach increases the number of funded applications and EPA management challenges.
- Focus on sectors may limit types of solutions.

5) Lender Intermediaries

Strategy: Channel money to green lending programs through existing and established intermediaries.

Ask applicant(s) to:

- Describe the existing network of lending organizations they are supporting and the strategies these organizations are using to finance GHG reduction.
- Demonstrate the strength and nature of that intermediary's relationship with the organizations in the network.
- Detail sectors and geographies served.
- Show track record of engagement in low-income communities and green lending.
- Provide network-wide leverage, financing deployment, and GHG reduction goals and supports that would be provided (e.g., TA, training, capacity building) to both lenders and other key players in the value chain.
- Demonstrate success with deploying capital and innovation that drives additionality in GHG funding and reductions.
- Describe how they will retain, manage, recycle, and monetize repayments to ensure continued operability.

EPA Methodology:

- EPA could issue awards to select intermediaries targeting a specific financial sector.
- Eligibility for secondary recipient(s) could be tied to sector specialization.

5) Lender Intermediaries

Strengths / Rationale

- Easily the fastest time to market of any of the options discussed here – the intermediaries and their network relationships already exist.
- Relatively low administrative burden to EPA fund four
 (4) or five (5) intermediaries.
- Provides ability for the intermediaries to claw back unused funds and redistribute them, within network, to the best performers.
- Diversifies risks compared to funding a single applicant.
- Individual lenders could have flexibility to make plans tailored to the specific sectors and communities they serve and stakeholders they partner with.

Weaknesses / Challenges

- Has the potential for fragmentation in terms of inability to encourage lenders of different stripes to work together.
- Challenge to ensure that lenders invest adequately in other value chain supports (e.g., TA or capacity building for communities, clean energy project developers).
- The broad scope of activities in any given lender network could create challenges in planning and coordination at the network intermediary level.
- Current intermediaries have not operated at the scale required for the GHGRF; therefore, there's some management and execution risk with ramping up capacity and capabilities.

6) Combination of Structures

Strategy: EPA could allocate portions of the GHGRF for national, state, regional, sectoral, and direct solutions. Competition would occur within each.

• Structure would examine barriers and opportunities along the GHG value chain, including financing, consumer demand generation, training / technical assistance / capacity-building, workforce development, and supply chain issues.

Ask applicant(s) to:

- Pull together partnerships with all the stakeholders needed to address the value chain in each specific structure.
- Focus on financing needs and non-financing barriers.
- Define focus in state / region / sector.
- Detail how funds would address GHG reduction objectives within its targeted footprint (national, regional, state, sector).
- Underscore how funds will be directly invested in, address barriers to, and/or benefit disadvantaged communities.
- Demonstrate success with deploying capital and innovation that drives additionality in GHG funding and reductions.
- Describe how they will retain, manage, recycle, and monetize repayments to ensure continued operability.

EPA Methodology:

- EPA could fund a cohort of applicant(s) with each major structure represented.
- Independent experts could serve on selection committees for each type of program.

6) Combination of Structures

Strengths / Rationale

- Reduces risk by distributing funds across a broader universe of participants (portfolio effect).
- Promotes innovative thinking and collaboration across the whole value chain – demand generation, pipeline creation, implementation, O&M.
- Allows EPA determinations about certain sectors and regions with opportunities for larger or more critical capacity investments.
- Creates balance of scale while ensuring underserved communities are represented in the process.
- Greater possibility to build platforms that facilitate investment in a specific region or sector without sacrificing national-level capacity.
- Several entities are well positioned to compete in one or more priority structure pools.

Weaknesses / Challenges

- Increases total number of funded applications and EPA management challenges.
- Trade-off between EPA challenge in program oversight and fund allocation vs. risks to concentration of funds in a single entity.

Potential Design Requirements – EPA Matrix

Charge Question II.c.i: Are there any potential program design requirements that would impact the ability of recipients to use the GHGRF program funds?

Potential Program Design Requirements*	Strengths / Rationale	Weaknesses / Challenges
Federal funding requirements	Reasons these work	Reasons these are burdens
Financial capacity to manage funds		
Governance		
Metrics / reporting systems		
Due diligence expertise		
Capacity to provide grants / debt / equity / credit enhancements		
Collective action systemic change		
Sector expertise		
Technology expertise		
Community access / LMI reach		
GHG reduction capacity		
Leverage private capital		

^{*}Assessed in alignment with GHGRF Charge Workgroups 1 (Objectives) and 3 (Execution, Reporting, and Accountability).

Thank You!

EFAB GHGRF Charge – Program Structure Workgroup					
Name	Affiliation	Location	Sector		
Lori Collins (co-chair)	Owner and Principal, Collins Climate Consulting	Charlotte, NC (EPA Region 4)	Business – Industry		
Ashley Allen Jones (co-chair)	Founder and Chief Executive Officer, i2 Capital	Washington, DC (EPA Region 3)	Business – Financial Services		
Stacy Brown	President and Chief Executive Officer, Freberg Environmental, Inc.	Denver, CO (EPA Region 8)	Business – Financial Services		
Jeff Diehl	Chief Executive Officer, Rhode Island Infrastructure Bank	Providence, RI (EPA Region 1)	State / Local Government		
Eric Hangen	Senior Research Fellow, Center for Impact Finance, Carsey School of Public Policy, University of New Hampshire	Danby, VT (EPA Region 1)	Academic		
Craig Holland	Senior Director of Urban Investments, The Nature Conservancy	Arlington, VA (EPA Region 3)	Environmental / Non- Governmental Organization		
Craig Hrinkevich	Public Finance Team – New Jersey Managing Director, Robert W. Baird & Company, Inc.	Red Bank, NJ (EPA Region 2)	Business – Financial Services		
Margot Kane	Chief Investment Officer, Spring Point Partners LLC	Philadelphia, PA (EPA Region 3)	Business – Financial Services		
George Kelly	Global Client Strategy Officer, Earth Recovery Partners	Denver, CO (EPA Region 8)	Business – Financial Services		
Lawrence Lujan	Executive Director, Taos Pueblo Utility Service	Taos, NM (EPA Region 6)	Tribal Government		
Marilyn Waite	Managing Director, Climate Finance Fund	Washington, DC (EPA Region 3)	Business – Financial Services		
Gwen Yamamoto Lau	Executive Director, Hawaii Green Infrastructure Authority	Honolulu, HI (EPA Region 9)	State / Local Government		

Execution, Reporting, and Accountability Workgroup

Workgroup Overview

This workgroup was asked to provide <u>considerations</u> around the GHGRF's execution, reporting, and accountability, including how to meet key deadlines.

Short-Term - Now through February 12, 2023 (180-day requirement)

- •Hold stakeholder engagement strategy, including EFAB input and public request for information
- •Identify award priorities and weights
- Develop application review structure
- •Develop appropriate recipient(s) terms and conditions
- •Identify metrics for success from application to post-implementation
- •Create guardrails for responsible implementation and oversight of funding

Medium-Term – February 13, 2023 to September 30, 2024 when funds expire

- Make funding selection(s); award, obligate, and initiate funding
- •Establish milestones and mechanisms for timely deployment of funds
- •Ensure timely reporting and compliance requirements are being met
- •Establish a program audit schedule
- •Ensure all appropriated funds are awarded by September 30, 2024

Long-Term - October 1, 2024 and beyond

- •Ensure timely deployment of funds
- •Ensure idle funds are redirected to high-performing recipient(s) and/or impactful projects
- Ensure implementation milestones, performance metrics, and compliance requirements are being met
- •Conduct ongoing program audits to ensure funds are being used as intended by direct recipient(s) to indirect recipient(s) and eligible projects

Identify Award Priorities and Weights — \$7B (States / Municipalities / Tribes*)

- 1. State, municipal, or tribal finance authorities in existence or enabling legislation to create a finance authority.
 - Extra points for agencies with a track record of financing GHG reduction technologies.
- 2. Existing clean energy and other GHG reduction financing programs.
 - Extra points for existing financing programs that benefit low-income / disadvantaged communities.
 - Extra points for existing residential rooftop solar financing programs.
- 3. Existing technical assistance and outreach being conducted.
 - Extra points if technical assistance and outreach are being conducted in low-income / disadvantaged communities.
- 4. Feasible plan for timely deployment of funds.
 - Extra points for collaboration with relevant public and private partners (e.g., cities, counties, community-based organizations, technical assistance providers).

Identify Award Priorities and Weights – \$12B

- 1. Ability to provide financial assistance to qualified projects at national, regional, state, and local levels.
 - Extra points for an existing entity with a historical track record of deploying funds nationwide.
 - Extra points for having a network of sub-recipient(s) nationwide.
 - Extra points for having a network of sub-recipient(s) with a track record of financing GHG reduction technologies.
 - Extra points for having a network of sub-recipient(s) with existing financing programs that benefit low-income / disadvantaged communities.
 - Extra points for having a network of sub-recipient(s) that have a track record of making investments in qualified projects that would otherwise lack access to financing.
 - Extra points for having a network of sub-recipient(s) that have a track record of leveraging public funds.
- 2. Ability (or feasible plan) to retain, manage, recycle, and monetize repayments and revenue to ensure continued operability.
 - Extra points for an existing entity that manages, recycles, and monetizes repayments.
- 3. Provide funding and technical assistance to establish new or support existing public, quasi-public, not-for-profit, or nonprofit entities.
 - Extra points for having a track record of establishing or supporting new/existing public, quasi-public, not-for-profit, or nonprofit low-income focused lenders and capital providers.
- 4. Feasible plan for timely deployment of funds.
 - Extra points for collaboration with relevant public and private partners (e.g., states, green banks, CDFIs, technical assistance providers).

Identify Award Priorities and Weights – \$8B

- 1. Ability to provide financial assistance to qualified projects at national, regional, state, and local levels in low-income / disadvantaged communities.
 - Extra points for an existing entity with a historical track record of deploying funds nationwide in low-income / disadvantaged communities.
 - Extra points for having a network of sub-recipient(s) nationwide focused in low-income / disadvantaged communities.
 - Extra points for having a network of sub-recipient(s) with existing financing programs that benefit low-income / disadvantaged communities.
 - Extra points for having a network of sub-recipient(s) with a track record of financing GHG reduction technologies in low-income / disadvantaged communities.
 - Extra points for having a network of sub-recipient(s) that have a track record of making investments in qualified projects that would otherwise lack access to financing in low-income / disadvantaged communities.
 - Extra points for having a network of sub-recipient(s) that have a track record of leveraging public funds.
- 2. Ability (or feasible plan) to retain, manage, recycle, and monetize repayments and revenue to ensure continued operability.
 - Extra points for an existing entity that manages, recycles, and monetizes repayments.
- 3. Provide funding and technical assistance to establish new or support existing public, quasi-public, not-for-profit, or nonprofit entities.
 - Extra points for having a track record of establishing or supporting new/existing public, quasi-public, not-for-profit, or nonprofit low-income focused lenders and capital providers.
- 4. Feasible plan for timely deployment of funds.
 - Extra points for collaboration with relevant public and private partners (e.g., states, green banks, CDFIs, technical assistance providers).

Develop Application Review Structure – \$7B (States / Municipalities / Tribes)

- 1. EPA to review and score applications based on priorities and weights previously identified (for the \$7B bucket).
- Funding awarded based on total points scored (including feasibility of implementation and deployment plan).
- 3. Unawarded funds could remain available for additional applications until September 1, 2024, or be available for reallocation.
- 4. On September 30, 2024, any remaining unawarded funds could be awarded to an eligible recipient(s) capable of awarding unused funds to states, municipalities, and tribes on an ongoing, competitive basis.
 - The money stays in its intended bucket.

Develop Application Review Structure – \$20B

- 1. EPA to review and score applications based on priorities and weights previously identified (for the \$12B and \$8B buckets).
- 2. Funding awarded based on total points scored (including feasibility of implementation and deployment plan).
- 3. Unawarded funds (if any) could remain available for additional applications until September 1, 2024.
- 4. On September 30, 2024, any remaining unawarded funds could be awarded to the eligible recipient(s) with the highest reporting metrics for success as of August 31, 2024.
 - The money stays in its intended bucket.

Develop Appropriate Recipient Terms and Conditions

- Incorporate positive and negative covenants to ensure compliance in award documents.
- Incorporate a mechanism in award documents that triggers underperforming eligible recipient(s)
 with idle, undeployed funds to transfer unused funds to high performing eligible recipient(s) in
 need of additional funding.
- Explore existing federal templates and best practices used to evaluate program effectiveness.
- Reference lessons learned from other existing federal programs to reduce obstacles in assisting and deploying funds into low-income and disadvantaged communities.

Lessons Learned from EPA Clean Water State Revolving Funds – Section 319 Exemptions

- Section 319 of the Clean Water Act was established in 1987 to address nonpoint source pollution. EPA awards funding to states with a Nonpoint Source Management Program. NY and PA established energy efficiency and renewable energy loans as eligible for CWSRF support under Section 319.
- Most of the projects funded by CWSRFs are large in the tens of millions of dollars and are appropriately subject to a variety of federal requirements.
- For residential energy efficiency and non-utility scale clean energy projects, such requirements are impractical and cost prohibitive. Over the past 30 years, EPA has issued guidance that exempts Section 319 projects from many such requirements, enabling the CWSRF program to fund a variety of nonpoint source projects that would have been impossible without such exemptions.
- Section 319 exemptions include:
 - American Iron and Steel provision;
 - National Environmental Policy Act (NEPA); and
 - Davis-Bacon Act.

Identify Metrics for Success – From Application to Post-Implementation

Metrics for success, published in an Annual GHGRF Summary Report of eligible recipient(s), may include:

- Total GHG emissions avoided (estimated metric tons CO₂).*
 - o GHG emissions avoided in low-income / disadvantaged communities (# and % of total).
 - o GHG emissions avoided in non-low-income / disadvantaged communities (# and % of total).
- Total funding awarded to eligible recipient(s).
 - o Total funding (\$ and %) deployed and invested in low-income / disadvantaged communities.
 - o Total funding (\$ and %) deployed and invested in non-low-income / disadvantaged communities.
 - o Total funding (\$ and %) deployed to indirect recipient(s).
- Total funding expended by indirect recipient(s).
 - o \$ and % of funds deployed and invested in low-income / disadvantaged communities.
 - Number of LMI households served.
 - Estimated energy savings for LMI households.
 - o \$ and % of funds deployed and invested in non-low-income / disadvantaged communities.
- Total leverage achieved.
 - o \$ and % of leverage (total \$ value of projects completed / total \$ of GHGRF deployed) in low-income / disadvantaged communities.
 - o \$ and % of leverage (total \$ value of projects completed / total \$ of GHGRF deployed) in non-low-income / disadvantaged communities.
- Continued operability Self-sufficiency ratio (earned income / total expenses) for eligible recipients.
- Number of jobs created or retained (EPA may choose to adopt SBA's jobs created / retained metric).
- Energy savings metrics.

^{*}GHG avoided may be reported for Year 1 as well as for life of the system. Recognizing that some investments will unfold over a longer time period, tracking metrics and trends over a longer timeframe may be required.

Responsible Implementation and Oversight of Funds – \$7B

- Timely deployment of funds to eligible recipient(s) (states, municipalities, tribes, and eligible recipient(s)).
 - Direct recipient investments into qualified GHG reduction projects benefitting low-income / disadvantaged communities in the form of loans.
 - Direct recipient investments into low-income / disadvantaged communities in the form of grants, other forms of financial assistance, and technical assistance.
 - Direct recipient deployment to indirect recipient(s).
 - Indirect recipient investments in qualified GHG reduction projects benefitting low-income / disadvantaged communities in the form of grants, loans, or other forms of financial and technical assistance.
- Compliance to ensure investments into low-income / disadvantaged communities <u>benefit</u> them and are not merely located there (e.g., utility scale solar farm located in a low-income / disadvantaged community).
- Community accountability.
 - Diverse board composition.*
 - Historical track record and clean energy expertise to deploy funds to reduce GHG emissions in low-income / disadvantaged communities.
- Transformative application of funds.
 - Inclusive and non-traditional underwriting and structuring to reach deeper to benefit low-income / disadvantaged communities previously locked out of GHG reduction financing / investments.

Responsible Implementation and Oversight of Funds – \$12B

- Timely deployment of funds to eligible recipient(s) (non-depository nonprofit organization(s)).
 - Direct recipient investments into qualified GHG reduction projects at the national, regional, state, tribal, and/or local levels.
 - Eligible recipient(s) to prioritize investments in qualified projects that would otherwise lack access to financing.
 - Eligible recipient deployment to indirect recipient(s).
 - Indirect recipient investments in qualified GHG reduction projects.
 - Indirect recipient investments in the form of funding and technical assistance to establish new or support existing public, quasi-public, not-for-project, or nonprofit entities that provide financial assistance to qualified projects.
- Historical track record and clean energy expertise to deploy funds to reduce GHG emissions.
- Transformative application of funds.
 - Financing mechanisms or structures to attract private capital to leverage funds.
 - Number of new green lending organizations established / supported.
 - Long-term sustainability of green lending organizations receiving GHGRF support.
 - Fiscally responsible fund deployment to ensure continued operability [of GHGRF funds].

Responsible Implementation and Oversight of Funds – \$8B

- Timely deployment of funds to eligible recipient(s) (non-depository nonprofit organization(s)).
 - Direct recipient investments into qualified GHG reduction projects benefitting low-income / disadvantaged communities at the national, regional, state, tribal, and/or local levels.
 - Eligible recipient(s) to prioritize investments in qualified projects that would otherwise lack access to financing.
 - Eligible recipient deployment to indirect recipient(s).
 - Indirect recipient investments in qualified GHG reduction projects benefitting low-income / disadvantaged communities.
 - o Indirect recipient investments in the form of funding and technical assistance to establish new or support existing public, quasi-public, not-for-project, or nonprofit entities that provide financial assistance to qualified projects.
- Compliance to ensure investments into low-income / disadvantaged communities benefit them and are not merely located there
 (e.g., utility scale solar farm located in a low-income / disadvantaged community).
- Community accountability.
 - Diverse board composition.*
 - Historical track record and clean energy expertise to deploy funds to reduce GHG emissions in low-income / disadvantaged communities.
- Transformative application of funds.
 - o Inclusive and non-traditional underwriting and structuring to reach deeper to benefit low-income / disadvantaged communities previously locked out of GHG reduction financing / investments.
 - o Financing mechanisms or structures to attract private capital to leverage funds.
 - o Number of new green lending organizations established / supported.
 - Long-term sustainability of green lending organizations receiving GHGRF support.
 - o Fiscally responsible fund deployment to ensure continued operability [of GHGRF funds].

How to ensure GHG emission reductions?

Accountability Strategy	Considerations for EPA
Application Guardrails	 Technical knowledge of applicant team @ GHG abatement tech "Systems change" approach of applicant to achieve scaled impacts Finance expertise of applicant team Scale of customer relationships / line of sight to GHG projects of applicant team
Federal Requirements	 How requirements may impact contractor availability for smaller jobs than nonetheless could scale in the aggregate to significant abatement
Governance	 Institute minimum GHG reduction metrics per \$X.XX on the "award level" (not project level) to ensure funds are being deployed as intended – keep in mind time lag to impact for some investments
Reporting / Metrics	 Provide a consistent and understandable methodology to help recipient(s) and subgrantee(s) accurately estimate GHG impacts Consider when to use "deemed" estimates vs. modeled, measured Consider award-level instead of project-level performance measurement (across a grantee's portfolio of investments)
Clawback / Redistribution	 How application structure / role of intermediaries enhances or limits the ability to redistribute funding from underperforming to higher-performing sector(s) or organization(s)

How to ensure accountability to low-income and disadvantaged communities?

Accountability Strategy	Considerations for EPA
Application Guardrails	 Track record / expertise of applicant(s) in serving LMI and DAC communities Depth of private-public partnerships, including community-based organizations
Federal Requirements	 EPA needs to comply with Federal law; however, these requirements may negatively impact the ability of LMI and DAC-serving projects to be implemented To facilitate projects benefiting low-income / disadvantaged communities, EPA could adopt waivers and exemptions currently used by EPA and other federal agencies (e.g., EPA Section 319: American Iron & Steel provision and NEPA & Davis-Bacon exemptions; USDA RESP: "Buy-American" Requirement (7 CFR Part 1787); NEPA Categorical Exclusions (7 CFR Part 1970 Subpart B); and waiver of Davis-Bacon requirement)
Governance	 As practicable, Board representation from LMI and DAC communities on recipient and indirect recipient / subgrantee organization(s) Subsequent award funding dependent on investments benefitting low-income / disadvantaged communities
Reporting / Metrics	 Metrics to capture meaningful co-benefits to communities such as job creation, energy savings, wealth building Metrics to track number and \$ value of projects serving / benefiting (not just "in") LMI communities
Clawback / Redistribution	 How application structure / roles of intermediaries enhances or limits the ability to redistribute funding from underperforming to higher-performing sector(s) or organization(s)

How to ensure leveraging and recycling of the grants?

Accountability Strategy	Considerations for EPA
Application Guardrails	 Financial capacity / track record of recipient organization(s) Finance expertise of recipient(s) / indirect recipient(s) and subgrantee(s)
Federal Requirements	 Establish minimum and target program leverage requirements (recycled funds can be leveraged multiple times) on the award level: Minimum: With initial funding Target: By September 30, 2031
Governance	Subsequent award funding dependent on achievement of leverage metric milestones
Reporting / Metrics	 Define a consistent measure for leverage (e.g., GHGRF \$ / total project costs funded) Consider how leverage may also happen at multiple levels Take the long view: Consider how capacity-building investments in a defined value chain may ultimately unlock larger volumes of investment than focusing on levering capital for "shovel-ready" projects
Clawback / Redistribution	 How application structure / roles of intermediaries enhances or limits the ability to redistribute funding from underperforming to higher-performing sector(s) or organization(s)

How to ensure additionality of projects?

Accountability Strategy	Considerations for EPA
Application Guardrails	 Types of projects that applicant(s) propose to invest in (EPA could encourage / prioritize applications focusing on project types it thinks are most additional) Finance expertise of applicant team (ability to ID project not needing subsidy)
Federal Requirements	 How requirements might help to avoid funding projects with negative environmental impacts How requirements might create costs
Governance	
Reporting / Metrics	 Additionality is difficult to report / confirm directly; consider proxies (such as project types or community types that historically are challenged to access capital)
Clawback / Redistribution	 How application structure / roles of intermediaries enhances or limits the ability to redistribute funding from underperforming to higher-performing sector(s) or organization(s)

How to promote continued operability?

Accountability Strategy	Considerations for EPA
Application Guardrails	 Financial capacity / track record of recipient organizations Finance expertise of recipient(s) / indirect recipient(s) and subgrantee(s) Treasury function expertise of applicant team
Federal Requirements	Consider whether permanent (vs. temporary) restriction of funds may promote recycling but negatively impact ability for leverage, ability to make non-recycled but highly additional investments
Governance	Fiduciary expertise of board members
Reporting / Metrics	 Financial sustainability metrics for applicant(s), direct recipient(s), indirect recipient(s) (e.g., net income, self-sufficiency) Take the long view – Consider how market-building activities that don't recycle funds may set the table for greater business opportunities and hence longer-term operability of recipient(s)
Clawback / Redistribution	 Consider how intermediation structures may help to mitigate risk of funding riskier indirect recipient(s) / subgrantee(s) by phasing investment over time

Thank You!

EFAB GHGRF Charge – Execution, Reporting, and Accountability Workgroup					
Name	Affiliation	Location	Sector		
Ted Chapman (co-chair)	Investment Banking Analyst, Hilltop Securities, Inc.	Dallas, TX (EPA Region 6)	Business – Financial Services		
MaryAnna Peavey (co-chair)	Grants and Loans Bureau Supervisor, Idaho Department of Environmental Quality	Boise, ID (EPA Region 10)	State / Local Government		
Ashley Allen Jones	Founder and Chief Executive Officer, i2 Capital	Washington, DC (EPA Region 3)	Business – Financial Services		
Stacy Brown	President and Chief Executive Officer, Freberg Environmental, Inc.	Denver, CO (EPA Region 8)	Business – Financial Services		
Jeff Diehl	Chief Executive Officer, Rhode Island Infrastructure Bank	Providence, RI (EPA Region 1)	State / Local Government		
Phyllis Garcia	Treasurer, San Antonio Water System	San Antonio, TX (EPA Region 6)	State / Local Government		
Eric Hangen	Senior Research Fellow, Center for Impact Finance, Carsey School of Public Policy, University of New Hampshire	Danby, VT (EPA Region 1)	Academic		
George Kelly	Global Client Strategy Officer, Earth Recovery Partners	Denver, CO (EPA Region 8)	Business – Financial Services		
Cynthia Koehler	Executive Director, WaterNow Alliance	San Francisco, CA (EPA Region 9)	Environmental / Non- Governmental Organization		
Dennis Randolph	City Traffic Engineer, City of Kalamazoo Public Services Department	Kalamazoo, MI (EPA Region 5)	State / Local Government		
Gwen Yamamoto Lau	Executive Director, Hawaii Green Infrastructure Authority	Honolulu, HI (EPA Region 9)	State / Local Government		

Public Comments Received for Environmental Financial Advisory	Board
Greenhouse Gas Reduction Fund Workgroup Meetings	

November 17, 2022 December 1, 2022 December 15, 2022

Public Comments Received for Environmental Financial Advisory Board November 17, 2022 Virtual Meeting

Written Comments

American Council on Renewable Energy

COMMENT: (attached)

• Center for American Progress

COMMENT: (attached)

• Coalition for Green Capital

COMMENT: (attached)

Community Preservation Corporation

COMMENT: (attached)

Elevate

COMMENT: (attached)

GRID Alternatives

COMMENT: (attached)

National NeighborWorks Association

COMMENT: (attached)

American Council on Renewable Energy

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

November 17, 2022

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

B. ELIGIBLE PROJECTS

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

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

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

Sincerely,

/s/

Allison Nyholm
Vice President of Policy
American Council on Renewable Energy

Center for American Progress

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

November 10, 2022

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

To the Environmental Financial Advisory Board,

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

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

I. OBJECTIVES

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

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

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

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

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

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

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

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

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

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

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

Program Efficiency

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

On additionality:

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

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

On sustainable financing:

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

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

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

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

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

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

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

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

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

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

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

II. PROGRAM STRUCTURE

Eligible Recipients

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

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

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

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

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

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

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

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

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

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

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

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

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

Eligible Projects

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

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

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

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

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

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

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

For the \$20b green financing program:

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

The term 'qualified project' includes any project, activity, or technology that—

- "(A) reduces or avoids greenhouse gas emissions and other forms of air pollution in partnership with, and by leveraging investment from, the private sector; or
- "(B) assists communities in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution.

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

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

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

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

III. EXECUTION, REPORTING, & ACCOUNTABILITY

• Given the tight timeline for implementation of the funds, what are key steps that EPA could take in the short- (next 180 days), medium- (next two years before funds expire in 2024), and long-term (beyond 2024)? What types of requirements could EPA establish to ensure the responsible implementation and oversight of the funding?

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

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

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

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

• What mechanisms could eligible recipients adopt, including governance as well as other mechanisms, to ensure that their applications and subsequent implementation efforts

ensure: (1) accountability to low-income and disadvantaged communities; (2) greenhouse gas emission reductions; and (3) the leveraging and recycling of the grants?

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

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

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

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

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



November 16,2022

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

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

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

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

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

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

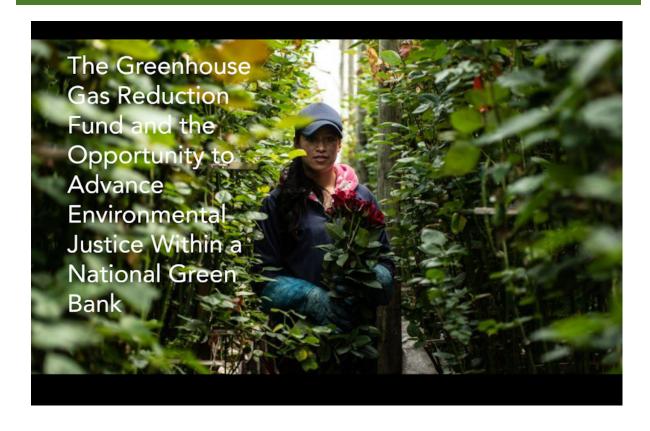
Sincerely,

Eli Hopson

Attachments

1.

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



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

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

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

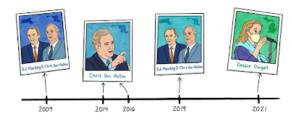
¹ Excerpted comments lightly edited for clarity and readability.

Greenhouse Gas Reduction Fund potential to seed the National Green Bank



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

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



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

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



Summary of the Greenhouse Gas Reduction Fund

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

National Green Bank's Goals

Double bottom line:

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

We do this by:

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

8

Eli Hopson:

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





Eli Hopson:

Green Capital

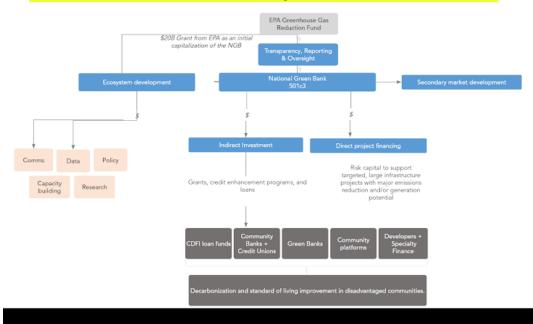
The Leverage equation is that with the \$20 billion you're able to balance sheet leverage that at somewhere around double so you take that \$20 billion you turn it into \$40 billion immediately. All of a sudden you know that minimum \$8 turns into \$16 billion of investment and the remaining \$12 turns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

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

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



National Green Bank's conceptual network structure



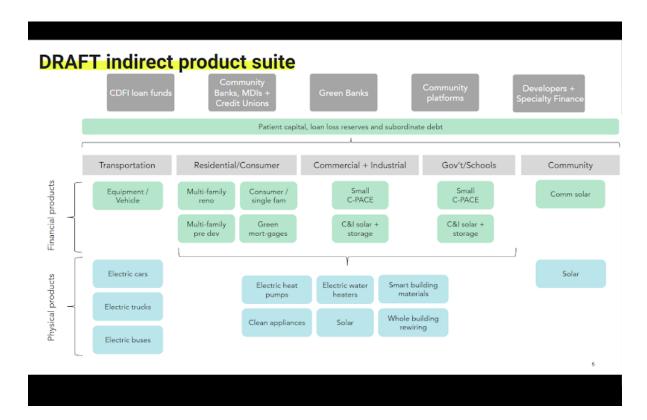
Eli Hopson:

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

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

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

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



Eli Hopson:

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

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



National green bank concept developed over years of legislative efforts and real-world experience

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

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2021-2022: Policy intent translated into reconciliation language

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

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Building a Board With the Skills and Commitments Needed to

Steer the National Green Bank



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



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

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

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



Marla Blow:

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

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

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

Sue Tierney:

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

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

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



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



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

Michael Jeans:

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

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

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

² Mr. Acosta was unable to attend.

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

Green Bank

Sharlene Brown

Director, Initiative on Racial Equity, Economics, Finance, and Sustainability at Croatan Institute

CGC Environmental Justice Advisory Board Member



Raya Salter

Founder, the Energy Justice Collective,

Member of the New York State Climate Action Council

CGC Environmental Justice Advisory Board Member

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Sharlene Brown:

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

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

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



Raya Salter:

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

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

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



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

Dr. Rober Bullard:

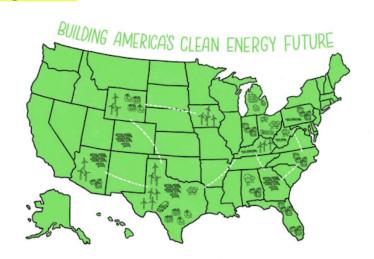
"A National Green Bank would serve the purpose of identifying where areas are ready to work on these issues. We know all communities across the country are not at the same level of capacity to adjust to these issues. Having organizations and institutions that can provide technical assistance and support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

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

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



Reed Hundt Chief Executive Officer Coalition for Green Capital



Reed Hundt:

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

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

2.

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



Statement by Reed Hundt, CEO of Coalition for Green Capital, to EPA November 15, 2022

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

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

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

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

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



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

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

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

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

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

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



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

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

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

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

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



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

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

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

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



November 15, 2022

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

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

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

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

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

I. OBJECTIVES

A. ENVIRONMENTAL JUSTICE/DEFINITION OF "LOW INCOME AND DISADVANTAGED COMMUNITIES"

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

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

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



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

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

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

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

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

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



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

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

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

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

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

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

B. PROGRAM EFFICIENCY

i. How can the GHGRF grant competition be designed so that funding is highly leveraged (i.e., each dollar of federal funding mobilizes multiple dollars of private funding)? How can the funding be used to maximize "additionality" (i.e., the extent to which funding catalyzes new projects that would



not otherwise occur)? How can EPA balance the need for grants for capacity building and short-term results with financial structures that will allow capital to be recycled over time? Where (if at all) is it appropriate to impose sustainability requirements on direct or indirect beneficiaries of GHGRF funding?

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

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

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

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



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

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

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

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

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

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



II. PROGRAM STRUCTURE

A. ELIGIBLE RECIPIENTS

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

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

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

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

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

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

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



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

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

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

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

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

B. ELIGIBLE PROJECTS

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

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



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

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

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

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

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

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

 The barriers are: high cost to decarbonize (both first costs and operational costs); no regulation requiring addressing GHG reduction in buildings; lack of scalable incentives to retrofit buildings; lack of awareness of climate risk and the need to address it in every transaction; lack of market demand; lack of contractor experience / engagement; lack of clear guidelines around how to reduce GHG and certify its completion; and lack of technical capacity available to private lenders to get it done wholesale.
- 2. Please provide any citations to relevant case studies in low-income and disadvantaged communities, in terms of emissions reductions and other benefits, including cost effectiveness, wealth creation, economic empowerment, workforce development, etc.
 In NY State, the HFA has changed its requirements for new construction multi-family affordable housing to be all-electric and carbon neutral-ready. This requirement has spurred an entire industry of developers, designers, engineers, contractors, lenders, syndicators, lawyers, and accountants to understand and value low-carbon building design and construction. This is possible, in part, because NYSERDA has added extra funds to cover the higher incremental costs for developers building during this early adoption phase when materials, systems, and design strategies are being tested or may not be readily available. Low income residents will benefit from healthier buildings, greater efficiency, combined heating and cooling, and reduced utility costs. Focusing on transforming the LIHTC infrastructure, which is the most successful affordable housing program in the country, can show how broad decarbonization can reach when it is required by the subsidy source that makes these deals happen.
- 3. What project-level gaps could the GHGRF fill for each type of project? What form could capital take to fill these gaps? Please provide references that analyze the deal-level economics for the various types of projects, including whether and how these may vary by geography.
 - In the private capital markets, current economics do not support the extra cost of decarbonization, particularly with the recent spike in interest rates. Given this, mortgage capital for housing, subsidized affordable, naturally occurring affordable and market rate, all need access to more money so buildings can be decarbonized. This capital can be deployed as simple subordinate debt, low interest loans or grants. It can be deployed this way at the time of acquisition or refinance or as mid-cycle supplemental capital. It can also be used to

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

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

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

Other barriers include:

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

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

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

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

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

C. STRUCTURE OF FUNDING

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

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

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



III. EXECUTION, REPORTING AND ACCOUNTABILITY

A. GIVEN THE TIGHT TIMELINE FOR IMPLEMENTATION OF THE FUNDS, WHAT ARE KEY STEPS THAT EPA COULD TAKE IN THE SHORT- (NEXT 180 DAYS), MEDIUM- (NEXT TWO YEARS BEFORE FUNDS EXPIRE IN 2024), AND LONG-TERM (BEYOND 2024)?

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

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

In the medium term, the EPA should:

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

Over the long term, the EPA should:

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

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

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



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

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

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

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

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

Sincerely,

Sadie McKeown, President The Community Preservation Corporation

smckeown@communityp.com

Rafael E. Cestero, CEO

The Community Preservation Corporation

rcestero@communityp.com

John Cannon, President CPC Mortgage Company

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322 S. Green St. Suite 300 Chicago, IL 60607

November 9, 2022

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

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

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



322 S. Green St. Suite 300 Chicago, IL 60607

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

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

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

From: Joel Blaine
To: EFAB

Subject: GHGRF comments

Date: Thursday, November 17, 2022 11:09:24 AM

Hello EFAB members,

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

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

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

Access to projects-

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

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

Access to Capital -

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

Recommendation:

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

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

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

Best

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Joel Blaine | Director, Business & Project Development GRID Alternatives 1120 W 12th Ave | Denver, CO 80204 o: 303-968-1326 | d: 720-943-5164 | f: 303-484-5832

Pronouns: he/him

Website | Facebook | Twitter | Photo Gallery



 From:
 Elisabeth Coats

 To:
 EFAB

 Cc:
 Lou Tisler

Subject: National NeighborWorks Association comments to the Environmental Financial Advisory Board

Date: Thursday, November 17, 2022 2:52:11 PM

Good afternoon,

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

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

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

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

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

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

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

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

Sincerely,

Elisabeth Coats
Director of Policy & Advocacy
202.713.7847
ECoats@nnwa.us



630 Eye Street NW, Suite 212 Washington, DC 20001



Public Comments Received for Environmental Financial Advisory Board December 1, 2022 Virtual Meeting

Written Comments

 Moonyoung Ko, Americans for Financial Reform Education Fund and Americans for Financial Reform

COMMENT: (attached)

Angela Adduci, Aon

COMMENT: (attached)

Mary Lawler, Avenue

COMMENT: (attached)

• Nick Mitchell-Bennett, cdcb | come dream. come build.

COMMENT: (attached)

• Coalition for Green Capital

COMMENT: (attached)

• Jeanine Jacokes, Community Development Bankers Association

COMMENT: (attached)

• Sean Spear, Community HousingWorks

COMMENT: (attached)

• Christopher Persons, Community Roots Housing

COMMENT: (attached)

• Bryan Garcia and Bert Hunter, Connecticut Green Bank

COMMENT: (attached)

Ecority

COMMENT: (attached)

Enervee

COMMENT: (attached)

Robin Hughes, Housing Partnership Network

COMMENT: (attached)

Cathleen A. Mahon, Inclusiv

COMMENT: (attached)

• IRA Collaboration Partners

COMMENT: (attached)

Timothy D. Warren, Jones & Henry Engineering LTD

COMMENT: (attached)

• Rip Rapson, The Kresge Foundation, and Joe Sciortino, The Schmidt Family Foundation

COMMENT: (attached)

• Brad Guy, Material Reuse

COMMENT: (attached)

• Robert Corley, NeighborWorks Housing Solutions

COMMENT: (attached)

Ohio EPA and Ohio Air Quality Development Authority

COMMENT: (attached)

• Beth Lipson, Opportunity Finance Network

COMMENT: (attached)

• Nicole Tai, Reuse Alliance

COMMENT: (attached)

Rewiring America

COMMENT: (attached)

Daniel Reilly, VEIC

COMMENT: (attached)

From: Moonyoung Ko

To: <u>EFAB</u>

Cc: <u>Jessica Garcia</u>; <u>Monica Palmeira</u>

Subject: Resources for the Greenhouse Gas Reduction Fund **Date:** Wednesday, November 23, 2022 11:18:02 AM

Attachments: [Memo] EFAB November 2022.pdf

Good morning,

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

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

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

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

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

I hope you have a wonderful, long weekend.

Warmly, Moonyoung

--

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

Resources for the Greenhouse Gas Reduction Fund:

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

Summary

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

Environmental Justice and Why Green Investments Require Centering Community Partnerships

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

Blogs

- <u>7 Reasons Why Asthma is an Environmental Justice Crisis</u> by WE ACT for Environmental Justice (2007)
- The Benefits of Solar from a Resident's Perspective by Asian Pacific Environmental Network
- Environmental Racism: How Historic Redlining Continues to Affect Communities

Maps

 National Community Reinvestment Coalition: Redlining and Neighborhood Health

Research

 Historical Redlining Is Associated with Present-Day Air Pollution Disparities in U.S. Cities

Articles

 Black towns, established by freed slaves after the Civil War, are dying out (The Washington Post)

Reports

- Environmental Justice and the Green Economy: A Vision Statement and Case
 Studies for Just and Sustainable Communities by WE ACT for Environmental Justice
- Mapping Resilience: A Blueprint for Thriving in the Face of Climate Disasters by Asian Pacific Environmental Network
- Resilience Before Disaster: The Need to Build Equitable, Community-Driven
 Social Infrastructure by Asian Pacific Environmental Network, SEIU 2015, SEIU
 California, and BlueGreen Alliance
- Green Renaissance Guide to Healthy, Sustainable Urban Development: A View From Harlem by WE ACT for Environmental Justice
- o Green Jobs Report by WE ACT for Environmental Justice

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

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

• Academic Studies

 Barbara Haya, Danny Cullenward, Aaron L. Strong, Emily Grubert, Robert Heilmayr, Deborah A. Sivas & Michael Wara (2020) Managing uncertainty in carbon offsets: insights from California's standardized approach, Climate Policy, 20:9, 1112-1126, DOI: 10.1080/14693062.2020.1781035

Reports

- Carbon Markets and Agriculture: Why offsetting is putting us on the wrong track (Nov 2022)
- The Carbon Capture Crux Lessons Learned by Institute for Energy Economics and Financial Analysis (Sep 2022)
- <u>Center for International Environmental Law: Confronting the Myth of</u>
 <u>Carbon-Free Fossil Fuels: Why Carbon Capture Is Not a Climate Solution</u> (Jul 2021)

- Chasing Carbon Unicorns: The deception of carbon markets and "net zero" (Apr 2021)
- Institute for Agriculture and Trade Policy and National Family Farm Coalition Report on Carbon Markets and Climate Policy (Feb 2020)

Letters

Coalition Letter: Oppose Carbon Offset Scams Like the Growing Climate Solutions Act (Apr 2021)

Fact Sheets

- Fact Sheet: Carbon Taxes: The Oil Industry's Favorite Climate Solution (June 2021)
- Fact Sheet: Off Course: Carbon Pricing Myths and Dirty Truths (June 2021)

Articles

 Bloomberg: Junk Carbon Offsets Are What Make These Big Companies 'Carbon Neutral' (Nov 2022)

Blogs

 Carbon Capture: The Fossil Fuel Industry's False Climate Solution by EarthJustice (Sep 2022)

Event Recordings

• <u>Institute for Agricultural Trade Policy: Watch the replay the webinar "Carbon</u> Offsets at COP: A poison pill for the planet, farmers and communities"

■ Panelists:

- Thomas Joseph, Indigenous Environmental Network
- Antonio Tovar, National Family Farm Coalition
- Allan Zabel and Laurie Williams, Public Employees for Environmental Sustainability
- Dr. Doreen Stabinsky, College of the Atlantic
- Ben Lilliston, Institute for Agriculture and Trade Policy

Lessons Learned from the Paycheck Protection Program (PPP)

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

Racial disparity in PPP

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

Data Transparency

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

On PPP Lending Data Underlining Uneven Lending:

- <u>15% of Paycheck Protection Program Loans Could Be Fraudulent, Study Shows</u> by New York Times
- Tracking the money: Bid to make business rescue more inclusive undercut by lack of data by Politico

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

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

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

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

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

Corporations Siphoning PPP:

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

Lessons Learned from the Homeowner Assistance Fund (HAF)

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

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

Implementation

- Recommendations by Americans For Financial Reform Coalition for Treasury

 Department Implementation of the Homeowner Assistance Fund (Mar 2021)
- Why Title Reviews Should Not Create Unnecessary Barriers to HAF Assistance (Aug 2021)

Model Language

• NCLC Model Language to Protect Homeowners Applying for HAF Funds (Feb 2022)

Racial Disparity in HAF

- Why Homeowner Assistance Fund Programs Should Be Accessible to Homeowners in Bankruptcy (Jan 2021)
- <u>Letter Supporting Inclusion of Homeowner Relief in COVID Stimulus Relief Package</u> (Feb 2021)

Taxes

• Federal Income Tax Consequences of Receiving Assistance from a State Homeowner Assistance Fund Program (July 2021)

Data Collection

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

From: Angela Adduci
To: EFAB

Subject: EFAB comments

Date: Sunday, November 20, 2022 11:12:29 AM

Good afternoon,

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

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

Comment:

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

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

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

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

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

Kind regards, Angela

Angela Adduci

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

o: +1 312 381 2799 m: +1 630 808 1353 angela.adduci@aon.com www.aon.com/public-sector

Aon

200 East Randolph Street 11th Floor Chicago, Illinois 60601
 From:
 Katie Fine

 To:
 Docket OMS

 Cc:
 EFAB; Mary Lawler

Subject: Houston"s Avenue CDC urges decarbonizing affordable housing within GGRF funding

Date: Thursday, December 1, 2022 12:50:57 PM

Attachments: <u>image002.png</u>

Avenue EPA Letter.pdf

Dear Administrator Regan,

Avenue is a leading organization in Houston that offers affordable housing development, homebuyer education and counseling services and community initiatives to promote healthy people and neighborhoods. We believe that all people deserve a safe, quality and affordable place to live and that investment in affordable housing is urgently needed. The IRA Greenhouse Gas Reduction Fund (GGRF) presents an historic opportunity to further accelerate clean energy investments across the United States, particularly with an emphasis on low-income and disadvantaged communities.

I am writing you today to urge you to ensure that decarbonizing affordable housing is a priority use for the Greenhouse Gas Reduction Fund (GGRF) and that community development finance institutions (CDFIs) be eligible and priority recipients of funding to ensure it reaches disadvantaged communities who are often the most vulnerable to climate change.

Please find attached a letter of support for GGRF implementation guidelines that have a focus on affordable housing. Avenue is happy to answer any questions you may have and be a resource for affordable housing related concerns.

Thank you for your time and consideration.

Sincerely,

Katie Fine

KATIE FINE

Fundraising Specialist/Grant Writer

AVENUE

3517 Irvington Boulevard Houston, TX 77009 P 832.930.3733 katief@avenuecdc.org





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December 1, 2022

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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 the Avenue Community Development Corporation (Avenue), I am writing to urge you to ensure that decarbonizing affordable housing is a priority use for the Greenhouse Gas Reduction Fund (GGRF) and that community development finance institutions (CDFIs) be eligible and priority recipients of funding to ensure it reaches disadvantaged communities who are often the most vulnerable to climate change.

Avenue is a leading organization in Houston that offers affordable housing development, homebuyer education and counseling services and community initiatives to promote healthy people and neighborhoods. Since 1991, Avenue has helped revitalize Houston neighborhoods by leveraging more than \$125 million in investments, including the development of 220+ single-family homes, 900 rental units and 200,000+ square feet of commercial space. We serve over 7,000 Houstonians a year through the development of affordable homes for sale and for rent across Houston; the provision of family asset-building programs, including homebuyer education and down payment assistance; and the leading of community initiatives that strengthen the impact of these affordable housing and asset building programs in Houston's greater Northside.

Avenue 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 Avenue's commitment to supporting these communities.

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

Eligible Recipients:

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

Eligible Projects:

We encourage the EPA to include funding 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,

Mary Lawler

CEO



November 29, 2022

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

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

Dear Administrator Regan,

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

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

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

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

Eligible Recipients:

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

<u>Definition of Low-Income and Disadvantaged Communities:</u>

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,

Nick Mitchell-Bennett Executive Director

cdcb | come dream. come build.

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

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

November 30, 2022





About the Coalition for Green Capital and American Green Bank Consortium



Coalition for

Our Mission

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

Our Work

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





Green banks prove merit for last decade

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

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

Cumulative default rate under 0.5%.



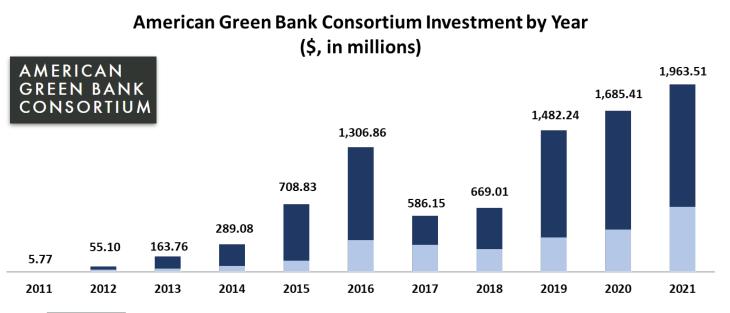






CGC-built American Green Bank Consortium drives \$9b of green investment over ten years

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









National Green Bank would build a robust national network

If selected, the National Green Bank would:

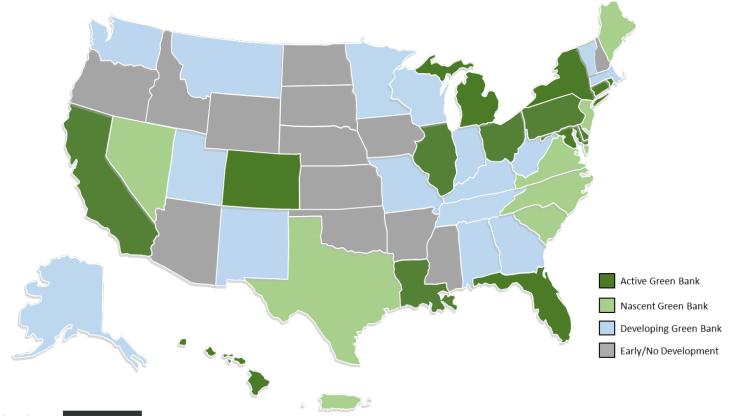
- Recruit existing CDFIs, minorityowned banks, nonprofits, and other mission-aligned finance institutions
- Involve mayors, governors, city councils to create new government-sponsored institutions where appropriate
- Stand up and financially support new institutions led by local actors
- Involve private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







Many more states poised to create green banks







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

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





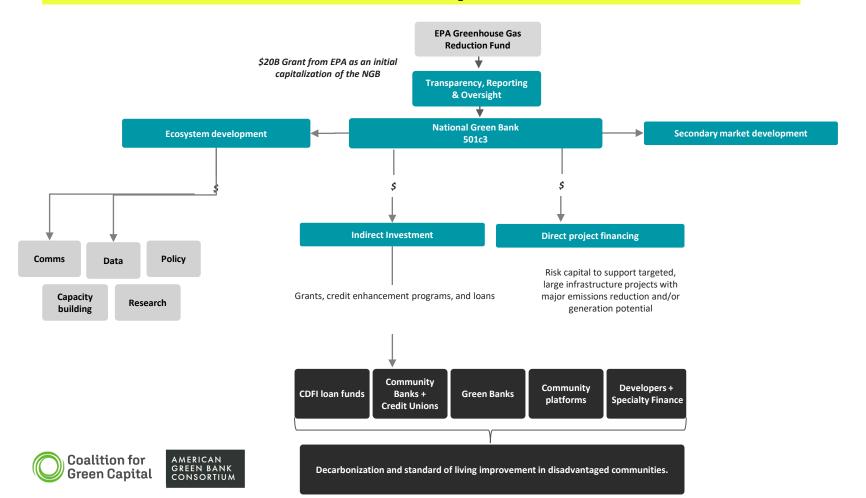
2021-2022: Policy intent translated into reconciliation language

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





National Green Bank's conceptual network structure





December 1, 2022

Ms. Kerry O'Neill Chairperson Environmental Financial Advisory Board US Environmental Protection Agency Office of the Administrator, Mail Code 1101A 1200 Pennsylvania Avenue, NW Washington, DC 20460

Mr. Ed Chu
Designated Federal Officer
Environmental Financial Advisory Board
US Environmental Protection Agency
Office of the Administrator, Mail Code 1101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Ms. O'Neill and Mr. Chu:

RE: Comment to EFAB on Greenhouse Gas Reduction Fund

On behalf of the members of the Community Development Bankers Association (CDBA), I respectfully submit the enclosed recommendations regarding implementation of the Greenhouse Gas Reduction Fund (GHGRF). The GHGRF, authorized under Section 60103 of the Inflation Reduction Act of 2022, provides an unprecedented opportunity to invest in technologies and projects that will reduce or avoid greenhouse gas emissions, air pollution, and environmental sustainability. The GHGRF also presents an opportunity to help disadvantaged communities adapt to the disproportionate burden of negative climate change impacts.

CDBA is the national trade association for 177 banks and thrifts that are US Treasury-designated Community Development Financial Institutions (CDFIs). Our members have a primary mission of promoting community development and target at least 60% of their total lending and activities to low-income communities and customers that are underserved by traditional financial service providers. Many of our members are also Minority Depository Institutions (MDIs). We also have a growing cadre of mission-focused banks specifically focused on environmental finance. In total, CDFI banks have more

¹¹ Minority Depository Institutions (MDIs) is a designation made by Federal bank (Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System) and credit union (National Credit Union Administration) regulatory agencies based on whether an institution is owned, governed and/or principally serves minority communities. Generally, MDIs have a strong track record of serving minority populations, which are often underserved by the traditional financial services sector.

than \$100 billion in total assets serving urban, rural and Native American communities across the United States.

We are pleased that Congress specifically set aside \$8 billion under Section 134(a)(3) for financial and technical assistance to projects that reduce or avoid greenhouse gas emissions and other forms of air pollution in low-income and disadvantaged communities (LIDCs). Yet, we strongly recommend the agency also require recipients of funds allocated through Section 134(a)(1) and (2) to use a portion of their monies to benefit LIDCs.

We believe that, with the right partners, the GHGRF provides an opportunity to dramatically expand climate mitigation in LIDCs while achieving rapid deployment and significantly leverage GHGRF monies. To fulfill the purpose of the GHGRF, we recommend that EPA facilitate growth of an ecosystem of players in green finance, environmental, energy and justice (EEJ), and community development finance. As such, we believe the agency should afford maximum flexibility to Eligible Recipients of Direct Investments, as well as recipients of Indirect Investments and Qualified Projects to develop solutions tailored to their unique communities.

Part 1: Objectives

Section (a): Environmental Justice/Definition of "low-income and disadvantaged communities"

Q1.a.i. What considerations should EPA take into account when defining "low-income" and/or "disadvantaged" communities in order to ensure fair access/that the funding benefits disadvantaged communities?

LOW INCOME AND DISADVANTAGED COMMUNITIES (LIDCs): In defining areas that are eligible as LIDCs in Section 134(a)(3), we strongly urge you to adopt the CDFI Fund's Target Market definitions given the strong, established correlation between poverty, income and people and places most affected by climate change. The legislation leaves the term "low-income and disadvantaged communities" up to EPA to define. We believe that the definition of eligible "Target Markets" used by the CDFI Fund meaningfully captures the breadth of these communities, including both consideration of individual borrower characteristics as well as the communities where borrowers are located. Adopting the CDFI Fund's definition would create standardization and greatly lower costs of compliance, as thousands of community-based lenders already track and report lending activity according to CDFI Fund Target Markets. Earlier versions of the legislation had introduced overly broad definitions, which did not meaningfully focus funding for the communities who need it most; we discourage the use of that language in EPA's definitions. Overall, EPA should coordinate directly with the CDFI Fund at the U.S. Department of Treasury to ensure its definitions are inclusive of CDFIs and the LIDCs they serve.

GENERAL ASSISTANCE: CDBA recommends that funding streams authorized under Section 134(a)(1) and (2) also have some requirement to benefit LIDCs too. We also believe that GHGRF's General Assistance program has an opportunity to proactively mitigate CO2 emissions in places experiencing greater climate change-related challenges. To this end, we propose that all or a large portion of General Assistance funding be directed to Eligible Recipients (and the organizations they fund) that serve communities meeting indicators described in Appendix A: Indicators of Community Climate Change.

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² 12 CFR§1805.104(II)

DEFINING CDFIS AS ELIGIBLE PARTICIPANTS: We urge you to use to explicitly ensure that <u>ALL</u> Community Development Financial Institutions (CDFIs) as defined under 12 USC 4702 and certified by the CDFI Fund are eligible participants in GHGRF. There is an existing infrastructure of 1,400 regulated and nonregulated CDFIs already serving the same LIDCs envisioned by Congress as part of GHGRF. Utilizing this network and their existing definitions will enable the GHGRF to quickly deploy capital to households and businesses in LIDCs. Similar to the CDFI Fund, we also encourage EPA to develop a certification process for lenders that are not CDFIs, but which are primarily focused on green finance to enable them to be eligible participants. This type of screening and certification process will empower a new group of financial institutions and facilitate the development of an ecosystem dedicated to the purposes and goals of GHGRF. Such a task could also be delegated to GHGRF intermediaries that are recipients of Direct and Indirect Investments with guidance from the agency.

Q1.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?

CDBA strongly urges to EPA to leverage the extensive existing network of mission focused community lenders. We particularly urge to EPA to explicitly make **all** certified CDFIs, as well as bank and credit union MDIs, and the growing network of depository environmental banks as eligible participants. To decarbonize all sectors of the economy, we must take advantage of the power of the full existing ecosystem of community lenders to promote positive climate outcomes.

<u>CDFIs DEFINED</u>: The term CDFI includes community development banks and bank holding companies, credit unions, loan funds and venture capital funds, who share a primary mission of community development and predominantly finance activity in low-income and communities of color. To be designated as a CDFI, an organization must annually demonstrate that at least 60% (in most cases it is substantially more) of its total lending, investing and service activities are targeted to low-income places, people or others that lack access to capital from traditional sources. The Treasury's CDFI Fund was created to expand and build the capacity of these mission focused lenders in 1994. Yet, the industry itself has roots in the War on Poverty with MDIs (banks and credit unions) dating back to the early 20th century.

Today, nearly 1,400 CDFIs serve the nation, with more than \$228 billion in assets under management — the vast majority in the form of loans and investments to LIDCs that create quality jobs, provide affordable housing, and improve health, educational, and financial outcomes for families. Depository CDFIs comprise more than half of the total number of CDFIs and 90%+ of the total assets in the sector. Today there are 177 CDFI banks totaling \$100+ billion in total assets, including 33 banks that are also MDIs. Depository CDFI banks have a combined total of \$63 billion in total loans outstanding as of Q2 2022.

CDBA also recommends that GHGRF include as participants: (1) the 111 non-CDFI MDI banks which total \$300+ billion (due to their strong track record in serving minority populations); (2) a small but growing group of banks focused on financing environmental sustainability; and (2) 471 credit unions that are CDFI certified (including 154 that are also MDIs) and 356 are MDIs that are not CDFIs with solid track records in serving minority and disadvantaged communities.

The Act defines three levels of participants: Eligible Recipients that can receive Direct Investments, entities that can receive Indirect Investments, and Qualified Projects. While the GHGRF statute prohibits these depositories from being direct Eligible Recipients that can receive direct investments they should be eligible to be recipients of Indirect Investments as the statute explicitly sought to include "community- and low-income-focused lenders and capital providers³" as eligible. Alternatively, or additionally, depositories should be able to establish funding eligibility as a Qualified Project.⁴

CDFIs have proven their ability to provide capital to low-income communities where others have failed. At the on-set of the COVID pandemic, CDFIs outperformed traditional financing institutions in reaching low-income communities, minority entrepreneurs, and the smallest businesses. During the "second round" of PPP, Congress allocated \$15 billion within Paycheck Protection Program (PPP) for CDFIs and other mission lenders to ensure funding reached underserved market segments. A May 2021 analysis of SBA data showed that these lenders lent twice that amount. According to SBA statistics, these institutions were more successful at reaching financially underserved businesses than any other type of PPP lender.⁵

Q1.a.iii. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities are able to be direct or indirect beneficiaries of GHGRF funding? Please identify support that could help communities with project implementation.

TYPES OF FINANCIAL AND TECHNICAL ASSISTANCE: To ensure benefits inure to the unique needs of LIDCs, CDBA urges the agency to be flexible in deploying financing, but require reporting to ensure accountability. Given the broad array of potential participants and activities that may be funded, the GHGRF must be flexible and permit a variety of financing instruments, transaction sizes, and delivery strategies to channel capital, training, and support on-the-ground direct lenders. The form of technical and financial assistance should be governed by the nature of the project or activity to be carried out.

In the case of financial support, GHGRF monies channeled through Eligible Recipients of Direct and Indirect Investments should include a broad menu of options:

Equity Capital and Equity Equivalent Financing to Support Community Lenders: Providing financial support to community lenders is a way to maximize the leverage and impact of GHGRF. Each dollar of GHGRF monies can leverage a multiple of other capital sources that will in turn support community-level lending to high impact projects. Since 1994, the US Treasury's CDFI Fund has demonstrated the effectiveness of this form of support for growing an industry of lenders. Over 25+ years, the CDFI industry has grown from less than 200 lenders to 1,400 today focused on serving low-income and other

^{3"}(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*. [emphasis added]

^{4 &}quot;(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**. [emphasis added]

⁵ https://ofn.org/articles/cdfis-continue-outperform-other-ppp-lenders

underserved markets. Using this approach, the GHGRF could build a similarly robust network of lending institutions dedicated to mitigating greenhouse gas emissions and adapting to the effects of climate change. For example, \$1 dollar in the form of an equity investment into a CDFI, MDI or Environmental bank can leverage \$8-10 dollars in private, public or philanthropic deposits. These funds, in turn, will support lending to borrowers and can be continuously recycled to make subsequent loans. Similarly, a secondary capital investment can be used to leverage deposits in a CDFI or MDI credit union. An equity grant to a CDFI loan fund can be used as net assets to leverage private, public or philanthropic debt for the purpose of making loans to borrowers. In addition, GHGRF monies should be available to make long term, equity-equivalent loans that are relent by CDFI loan funds into pools of loans that support local borrowers. In all of these cases, capital financing committed over the long term is most effective in supporting community based activities that proactively mitigate greenhouse gas production.

<u>Direct Project Loans</u>: Secured and unsecured loans, revolving lines of credit, bridge loans, and long-term equity like loans for recipients and projects requiring patience can be effective in promoting consumer and commercial borrowers to adopt sustainability practices that will reduce carbon intensity.

<u>Loan Participations</u>: Secured and unsecured loans originated via participation agreements with multiple lenders can be highly effective for maximizing the leverage of GHGRF subsidies and empowering local lenders to make larger loans than they could otherwise do alone.

<u>Loan Guarantees</u>: GHGRF monies used in the form of a loan guarantee can provide a powerful incentive for lenders to finance projects, activities or transactions that are riskier but have the potential for generating significant impact at the community level. Guarantees also offer GHGRF an instrument that is effective in leveraging private support for projects that might not otherwise be feasible.

<u>Interest Rate Buy Downs</u>: To reduce borrowers' cost and make green projects more feasible, GHGRF monies should be available for use for interest rate "buy downs" that allow lenders to incentivize and cover incremental cost of decarbonization for high impact projects

<u>Secondary Market Grants or Guarantees</u>: To facilitate liquidity of capital that will continuously support new green lending, GHGRF monies could be used support the purchase and resale of loans to private investors. Support provided as grants or as guarantees can function as a credit enhancement that will reduce risk for investors.

<u>Equity Investments in Qualified Projects</u>: In addition to supporting equity investments in CDFI, MDI and Environmental banks, GHGRF monies should be available to support investment in individual projects, activities, and technologies sponsored by for-profit companies that hold great potential to advance the purposes of GHGRF, particularly those that reduce carbon emissions, promote use of green building technologies, and support renewable energy.

Ecosystem Capacity Building Grants: Greenhouse gas reduction requires all parts of the clean energy sector to function. CDBA recommends that GHGRF monies be allowed to be used as grants to build a clean energy and green building ecosystem needed to deliver projects in LIDCs that will reduce greenhouse gas emissions. Delivering projects in underserved communities requires a network of capacity-building organizations, developers, installers and contractors. Today, LIDCs lack the capacity-building investment in the many organizations needed to generate a pipeline of green deals for lenders

to finance. These organizations include: (1) mission-driven clean energy project developers as well as installers and contractors; (2) community-based groups which help to conceive of and advocate for projects; (3) organizations that build developer capacity and provide technical assistance to communities-based projects; (4) community finance organizations that provide first-in dollars and long-term financing to support projects; and (5) organizations developing operating platforms that help everyone to work more efficiently by sharing technical expertise, information systems, documents and other resources.

Section (b): Program Efficiency

Q1.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?

PROGRAM STRUCTURE: CDBA believes GHGRF needs to be inclusive, diverse, accountable, and fully deployed. We recommend that each of the three GHGRF funding streams be operated as a "fund of funds" structure with each program allocating funding to multiple Direct Recipient intermediaries that serve distinct niches within the community development and green finance ecosystem. We are very concerned that concentrating all resources into a single national green bank runs a high risk of excluding key segments of the ecosystem that need to flourish to realize the purposes of the GHGRF and increases the risk funds will not be deployed on a timely basis.

CDBA believes all GHGRF investment is good for LIDCs. But, we also believe GHGRF needs to center on the communities most negatively affected by climate change as this provides the greatest opportunity to fulfill the purposes articulated in the Inflation Reduction Act. While only \$8 billion is specifically set aside, all \$27 billion needs to have an Environmental Equity and Justice (EEJ) lens. We recommend GHGRF have an EEJ lens with strongest consideration given to those serving people and communities that have historically shouldered the greatest burdens of climate change.

CDBA is concerned that GHGRF money will not reach low-income and disadvantaged communities and borrowers <u>unless</u> EPA directs funds to community lenders who specialize in serving them. Working through the existing network of mission-focused community lenders is by far the most efficient way to ensure funds are deployed into projects, activities and technologies that advance GHGRF goals across a diverse ecosystem and reach deep into low income, minority and distressed communities. Currently, there is a diverse group of 1,400+ depository and non-depository CDFIs and MDIs nationwide with the capacity to quickly accomplish this set of goals.

ROLE OF INTERMEDIARIES: CDBA urges the EPA to include Intermediaries serving the CDFI sector as Eligible Recipients under all of the GHGRF funding programs. For definitional purposes, a financial intermediary is a party that facilitates a financial transaction between two parties. In the case of the environmental, EEJ, and community development finance sectors, intermediaries are funds, trade associations, or other entities who, in turn, facilitate the flow of capital to local communities through projects, activities, nonprofits, for-profits, technologies, and other activities. Channeling GHGRF monies

through these intermediaries is an efficient mechanism to ensure Federal funds are directed to a diverse group of projects, activities and technologies that collectively can reach LIDCs and drive emission reduction activities.

We propose allow Intermediary organizations that qualify as Eligible Recipients of Direct Investments to serve as conduits to broad coalitions of community lenders united in their goal of reducing greenhouse gases, reaching LIDCs, and promoting environmental and energy justice. Such intermediaries will manage the GHGRF awards and coordinate compliance and reporting among participating organizations. They, in turn, will be able to distribute GHGRF funds directly to community lenders directly as Qualified Projects or as Indirect Investments to other intermediaries with specialized experience working with specific types of CDFI, MDI or environmental community lenders. Intermediaries provide the ideal vehicle by which to build the field of diverse lenders that can advance GHGRF statutory goals while reaching LIDCs across the country. Such a strategy can drive emission reduction activities through capital, training and technical support.

As discussed below, we strongly believe that depository CDFI, MDI or Environmental banks and credit unions should be able to participate in GHGRF as Recipients of Indirect Investments and/or as Qualified Projects. As such, we recommend that monies be channeled through intermediary organizations that are Recipients of Direct Investments. Intermediary organizations provide a value role because they have expert knowledge of specific sectors of financial institutions and their important role in field building. These intermediaries can be conduits to deploy capital and to build industry capacity expertise in green finance. The functions of intermediaries may include:

- Direct financing and technical assistance to areas, communities and activities that fall outside traditional financial solutions
- Build the capacity of direct lenders and financing entities to reach and serve their markets
- Support local financing solutions to achieve equitable outcomes in greenhouse gas reduction outcomes
- Achieve substantive outcomes in reducing greenhouse gas emissions that would not otherwise be achieved
- Design community-led solutions that reduce and avoid emissions while improving air quality and offsetting harmful effects of greenhouse gas reductions
- Support businesses and entrepreneurs of color and community driven solutions that ensure the benefits of greenhouse gas emission investment presents economic opportunity for LIDCs communities of color.

We propose the GHGRF channel grant funds to CDFI and MDI Intermediaries that can be redeployed to Indirect Recipients and Qualified Projects in the form of loans based on the needs of the recipient or type of activities to be carried out.

ROLE OF DEPOSITORIES: To maximize scale, leverage and deployment, GHGRF must engage community lenders that are depository banks and credit unions and are CDFIs, MDIs, and environmental banks as Indirect Investments and/or Qualified Projects. This group is the largest and most scaled group of mission community lenders. Inclusion of this group will greatly accelerate the deployment of GHGRF dollars and achievement of the purposes of the Act.

Today there are 177 CDFI banks totaling \$100+ billion in total assets, including 33 banks that are also MDIs. Depository CDFI banks have a combined total of \$63 billion in total loans outstanding as of Q2

2022. In addition, there are 111 non-CDFI MDI banks totaling \$300+ billion and a small, but growing group of banks focused on financing environmental sustainability. Among credit unions, 471 are CDFI certified (including 154 that are also MDIs) and 356 are MDIs that are not CDFIs. A 2017 analysis of the CDFI sector found that depository CDFIs represented 90% of the total assets of the entire sector. This discrepancy is greater today as the CDFI bank and credit union sectors have more than doubled in total assets since. As such, they have the greatest capacity to deploy funds. The most effective way to promote widespread adoption of green lending practices is to empower mission focused depositories to show their peers how to do it. We are the innovators and influencers that launch new products and create proof of concept, which are routinely adopted by traditional banks and credit unions.

We are very concerned that some organizations that intend to apply to GHGRF have argued that depository banks and credit unions should be excluded from GHGRF. They argue that because Congress excluded depositories as Eligible Recipients of Direct Investments, that depositories are excluded from all GHGRF participation. We strongly oppose this flawed argument.

Under commonly applied rules of statutory construction, a plain reading of the language of a statute should be applied to determine Congressional intent and a statute should be read as a whole and in context. Likewise, statutes should harmonize and not read as creating a conflict when one does not exist. In applying these principals to GHGRF, it is problematic to argue that depositories are prohibited from participation on the basis of the following analysis.

Section 60103 defines "Eligible Recipient" as a nonprofit profit organization that "does not take deposits other than deposits from repayments and other revenue received from financial assistance provided using grant funds under this section." As such, Congressional intent is clear that depositories cannot be an Eligible Recipient and receive a direct investment. The statute goes on to describe an Indirect Investment by saying that:

"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." [emphasis added]

In this circumstance, Congress did <u>not</u> exclude depository institutions as Indirect Recipients and/or Qualified Projects. Had Congress intended to exclude this group from either definition, it could have – but it chose not to. The specific addition of *community- and low-income-focused lenders and capital providers* makes it clear that lenders meeting these criteria could be recipients of Indirect Investment notwithstanding the prior limitation. Furthermore, Congress clearly established in its definition of Qualified Project that it intended a very expansive and inclusive set of activities to be considered appropriate stating:

"(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." [emphasis added]

The common use of the word "any" is instructive in this context. Provided the funding for the Qualified Project passes through an intermediary that is an Eligible Recipient and the activity meets the conditions of (3)(A) or (B), it is eligible. Thus, a depository CDFI, MDI or environmental sustainability focused bank or credit union may receive GHGRF monies through an Eligible Recipient provided they engage in activities outlined in (3)(A) or (B). Thus, a plain reading of Section 60103 concludes that mission focused depositories are eligible for GHGRF as Indirect Investments and/or as a Qualified Project.

RECYCLING FUNDS: The type of program revenue that may be generated from GHGRF monies will depend on the type of project or activity funded. For example, in the case of grant funding intended to support community outreach, education, operating support or to otherwise build a green finance ecosystem, it is not likely feasible to expect any revenue. In the case of equity investments made in forprofit ventures or technologies with a commercial application, the GHGRF may be able to expect returns similar to an investor. In the case of equity capital placed in CDFI, MDI and environmental banks, GHGRF should be able to expect returns similar to other investors with similar stock holdings. In the case of project debt, interest income and eventual return of principal could be recycled. Supporting depository CDFIs, MDIs and environmental community lenders possess a great capacity to recycle capital invested because each dollar leverages a multiple of deposits deployed as loans. As loans are repaid, the proceeds are recycled as new loans.

Q1.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 pollution reductions?

OTHER FEDERAL PROGRAMS: In the case of entities certified as CDFIs, CDBA strongly recommends you defer to the reporting and other requirements of the CDFI Fund. In the case of regulated CDFI, MDI and climate banks, we strongly recommend you consult with the Federal banking regulatory agencies to ensure none of the GHGRF requirements or program design conflicts with their regulatory requirements lest this group of institutions could be barred from participation.

Part 2: Program Structure Section (a): Eligible Recipients

Q2.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.

Please refer to our response to 1.a.ii regarding eligible entities.

<u>ESTIMATING TOTAL GREEN FINANCING</u>: CDFIs serve the LDICs targeted by GHGRF that most acutely feel the financial and environmental costs of fossil energy. Many CDFIs already play a leading role in financing clean energy in these communities, which advance the purposes of GHGRF. As the CDFI Fund does not capture data on green lending, we must rely on surveys capturing only a fraction of the field to estimate current activity. A survey of 98 CDFIs found institutions originating over \$500 million *annually*

in clean energy financing,⁶ in the absence of any targeted government support for this activity. This estimate excludes many loans with positive climate impacts — such as financing for regenerative agriculture; loans where clean energy is included in a project but not categorized as a principal purpose; and investments helping to revitalize urban, location-efficient neighborhoods. Most CDFIs are well positioned to launch such products and reach deep into LIDCs because they are already serving LIDCs. In addition to those surveyed, many other community lenders that are mission-based banks are actively engaged in green finance. For example⁷:

- Amalgamated Bank has one-third of its portfolio or \$1.2 billion in climate solutions, offers a suite of six ESG investment products focused on climate outcomes, operates a robust PACE solar financing product, and its foundation has donated \$9 million for climate justice and environmental causes.
- Beneficial State Bank has \$94 million in loans to the environmental sustainability sector and \$144 million in loans to the renewable energy sector. Their renewable energy portfolio has produced 688 MWh of energy and avoided CO2 emissions equivalent to 104,993 passenger cars off the road for one year.
- National Cooperative Bank has a portfolio of \$74.6 million in renewable energy loans.
 Its portfolio of renewable energy loans borrowers produced 111 MWh of power, which is the equivalent of removing 21,886 card from the road in one year or planting 1.6 million trees over 10 years.
- Climate First Bank in Florida has a portfolio of \$48.6 million in sustainable finance loans and \$6.8 million in residential and small commercial solar projects generating 6.5 MWh of energy.
- Community Bank of the Bay has a portfolio of \$52 million green loan portfolio, including projects supporting green real estate, sustainable food systems, clean energy, waste reduction, and environmental stewardship.
- Many CDFI banks have launched PACE programs to reduce CO2 emissions in commercial and other buildings.

2.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?

As previously noted, CDBA strongly recommends that the EPA utilize the current network of 1,400 depository and non-depository CDFIs and MDIs already serving LIDCs to support investment and deployment of greenhouse gas and air pollution reducing projects. We further recommend that GHGRF include as participants the 111 non-CDFI MDI banks which total \$300+ billion in total assets, and a small but growing group of banks focused on financing environmental sustainability. In addition, we recommend inclusion of 471 credit unions that are CDFI certified (including 154 that are also MDIs) and 356 are MDIs that are not CDFIs, of which all have solid track records of serving minority and

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⁶ Source: University of New Hampshire analysis of survey results provided by Opportunity Finance Network, Inclusiv, and the Federal Reserve Bank of Richmond. level or in the District of Columbia, *including community- and low-income-focused lenders and capital providers*. [emphasis added]

⁷ Based on data provided by banks

disadvantaged communities. Given their specialized nature, this collective group of institutions will provide EPA with the greatest "bang for its buck" in reaching LIDCs.

Section b: Eligible Projects

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

CDBA recommends the EPA be expansive in its interpretation of Qualified Projects, Zero Emissions technology, and Direct and Indirect Investments. Authorization of GHGRF provides an unprecedented opportunity to build a robust green finance economy and ecosystem. To that end, we believe that flexibility is key. CDBA recommends implementation of GHGRF through a decentralized "fund of funds" structure. CDBA recommends EPA establish broad policy guidance on the types of activities authorized, but give the Eligible Recipients that are Direct Investments and intermediaries that make Indirect Investments discretion to develop strategies that meet local needs.

To incentivize local lenders to finance and borrowers to engage activities that maximize the public benefits articulated above, CDBA recommends that the EPA design an evaluation rubric that is tied to subsidized pricing. For example, if a project scores higher on the rubric (creating more public benefits), the project can qualify for below market pricing or grants. Projects that are qualified (but create fewer benefits) will still be able to access financing, but at rates closer to market.

PRIVATE MARKET CAPITAL FORMATION: One of the most valuable roles that depository CDFIs, MDIs and environmental community lenders can play in GHGRF is proving the market viability of green lending among traditional financial institutions. This is a role they have long played in the community development sector. For example, City First Bank of DC (a CDFI bank) was the first bank in the country to make loans to finance charter school facilities (and they made them in LIDCs). Only after City First proved the credit worthiness of this group of borrowers did other lenders join in. Today, many banks across the country now engage in charter school lending. Within the traditional financial services sector, broad adoption of new type of lending typically only occurs when other providers have proven viability. In the case of lending in LIDCs, it requires a CDFI (and more specifically a CDFI bank) to be the path breaker. Once market viability is established, private market capital formation typically follows. We anticipate the same outcome for green lending supported by GHGRF.

Part 3: Execution, Reporting, & Accountability

Q3.a. Given the tight timeline for implementation of the funds, what are the key steps that the EPA could take in the short- (next 180 days), medium- (next two year before funds expire in 2024), and long-term (beyond 2024)?

As previously suggested, CDBA believes the most efficient way to deploy GHGRF monies within the nest 180 days is to distribute grants from each of the three authorized funding streams through a "fund of funds." Each program will make grant awards (a.k.a. Direct Investments) to several Eligible Recipients that, in turn, distribute to other intermediaries as Indirect Investments and/or Qualified Projects.

Q.3.b. What types of requirements could EPA establish to ensure the responsible implementation and oversight of the funding?

CDBA recommends that participants receiving Indirect Investments or Qualified Project financing report to the Direct Recipients from which they received GHGRF support. The Direct Recipient should, in turn, report aggregate GHGRF activities and outcomes to the EPA. Alternatively, as discussed below, entities that are certified CDFI can report via the CDFI Fund's AMIS compliance reporting system. We recommend the EPA contract with the CDFI Fund to collect this data on its behalf to minimize reporting burden.

CDBA recommends aligning reporting requirements for activities benefitting LIDCs with the reporting standards and metrics defined by the CDFI Fund. In the case of metrics related to greenhouse reduction, we recommend aligning reporting and metrics with the United Nations' Sustainable Development Goals and the Global Impact Investing Network's IRIS+ Catalog of Metrics. As noted below, we recommend the EPA utilize – to the extent practicable – reporting systems used by other agencies already working with GHGRF participants. We recommend the EPA collaborate with the CDFI Fund to develop GHGRF-specific activity impact metrics to ensure they are feasible to collect.

Rather than reinventing the wheel and designing a new reporting system, we recommend the EPA piggyback on reporting systems already in use by those that may be GHGRF participants engaged in Direct Investments, Indirect Investments, or Qualified Projects. Specifically, we recommend the EPA consider contracting with the CDFI Fund to allow CDFIs that are already reporting annual lending data to submit the GHGRF information via the CDFI Fund's AMIS system. This data can then be shared with the EPA for its compliance and evaluation purposes.

Q.3.c. What mechanisms could eligible recipients adopt, ensuring 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 grants?

As discussed herein, CDBA recommends that the EPA utilize a structure similar to the CDFI Fund whereby capital is channeled at the institution level to support. We recommend that EPA deploy Direct Investment capital to Eligible Recipients that are Intermediaries in the form of grant. In turn, those entities, will provide institution-level capital to a diverse set of depository and non-depository community lenders (which may be classified as either Indirect Investments or Qualified Projects). These lenders will, in turn, finance community level borrowers engaged in Qualified Projects that include projects, activities or technologies that advance the purposes of GHGRF. As discussed above, utilizing these institutions will maximize leverage of public, nonprofit and private resources, as well as provide a mechanism to continuously recycle funds for projects that reduce greenhouse gas emissions. At the same time, EPA should expect that some investments may not leverage or recycle GHGRF dollars, but are important to build the non-finance ecosystem necessary to advance the purposes of the Act.

Regulated depository institutions have the greatest capacity of any type of institution to facilitate the highest private sector leverage. In exchange for being subject to formal regulation and supervision to ensure they operate in a safe and sound manner, depository institutions can raise insured deposits. The Federal Deposit Insurance Corporation and National Credit Union Administration insure customer monies deposited up to \$250,000 per customer for banks and credit unions, respectively. In the case of banks, regulators require the institution maintain \$1 in capital for each \$10 dollars in deposits raised. The deposits raised are then lent out into the community. So, if GHGRF funds were placed as equity

capital into a CDFI, MDI or Climate Bank, the institution could leverage 10 times that amount in private deposits to support new green lending in LIDCs. At the project level, CDFI, MDI and environmental banks also have strong track record in leveraging different types of public, private and philanthropic capital to make tough projects feasible.

As noted above, CDBA recommends aligning the accountability and governance requirements for entities serving LIDCs with the standards defined by the CDFI Fund. The CDFI Fund defines Target Markets on the basis of low income census tracts (a.k.a. Investment Areas), households with low-incomes that are at or below 80% of area median income (a.k.a. Low Income Target Population), and populations that are historically underserved by traditional financial service providers (a.k.a. Other Target Populations (principally minority populations)). Each of these defined groups capture different types of LIDCs. Furthermore, the CDFI Fund's accountability standards require each certified CDFI to maintain accountability to their defined Target Markets through representation of their governing board and/or advisory boards. CDBA believes these standards are effective in ensuring each CDFI is accountable to their communities.

On behalf of all CDBA members, we sincerely thank you for the opportunity to comment on this critically important Federal initiative to invest in initiatives, technologies and projects that will reduce or avoid greenhouse gas emissions, air pollution, and environmental sustainability. We look forward to continue to work with you to implement the GHGRF.

If you have any questions, please contact Jeannine Jacokes, CDBA Chief Executive Officer, at (202) 207-8728 or jacokesj@pcgloanfund.org or Brian Blake, Chief Policy Director at (646) 283-7929 or blakeb@pcgloanfund.org.

Thank you for considering our recommendations.

Jannine Theores

Sincerely,

Jeanine Jacokes
Chief Executive Officer

Appendix A: Indicators of Community Climate Change

Climate Change and Poverty

Communities with higher levels of poverty are more likely to experience the negative effects of climate change due to economic, geographic, and social disadvantages, some of which are described below. We recommend that the General Assistance Program require a significant portion of funding be dedicated to LIDCs and to other communities disproportionately affected by climate change. The metrics below are recommended for considered by the EPA for such designations.

Fourth National Climate Assessment Chapters 14 and 15 (2018); OECD (2003)

1. Income

- Income is a strong indicator of climate vulnerability as lower income communities have fewer resources at their disposal with which to adapt to a changing climate.
- IMF (2021); Federal Reserve Bank of New York (2021); United Nations (2017)

2. Asthma Prevalence and Morbidity

- Low income areas have relatively high levels of particulate matter pollution due to the traffic, factories, and outdated facilities located in these communities. This pollution causes respiratory diseases like asthma at higher rates. Limited access to healthcare in these communities compounds the problem.
- Appendix B, Zanobetti et al (2022); Bacon et al (2013) NIH (2022); Tessum et al (2021)

3. Flood Risk

- Low lying areas most vulnerable to storm surges, rising sea levels, and related flooding tend to have low income populations because of lower property prices.
- Appendix B, NIH (2018); World Bank (2022); Jesdale, Morello-Frosch, & Cushing (2013)

4. Presence of Greenspace and the Urban Heat Island Effect

- Because of red lining and public investment patterns, low income and minority communities tend to have less greenspace and thus lack the benefit of the cooling effect of trees. Urban areas with low levels of greenspace can record temperatures several degrees higher on hot days than communities with more greenspace in the same city.
- Hsu et al (2021); Saverino et al (2021)

5. High Volume Roads

- High volume roads are often constructed through low income communities.
- Morency et al (2012)

6. Location of coal mines

- Coal mines are often located near low-income communities which must bear the burden of air and water pollution and higher associated mortality.
- Hendryx (2012)

7. Established Solar Resources

- Even though low income households spend larger shares of their income on energy, access to clean energy is often limited to communities with disposable income for investments.
- American Council for an Energy Efficient Economy (2022); Shemkus (2021)

8. Heat Wave Vulnerability

- Low income communities are more vulnerable to heat waves due to the Urban Heat Island Effect and the cost of air conditioning.
- NPR (2019); American Geophysical Union (2022)

9. Walkability

- Lower income communities are typically less walkable.
- Conderino et al (2021)



November 30, 2022

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

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

Dear Administrator Regan:

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

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

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

Eligible Recipients:

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

Eligible Projects:

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





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

Definition of Low-Income and Disadvantaged Communities:

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

Structure of Funding:

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

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

Sincerely,

Sean Spear

President and CEO

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







December 1, 2022

Michael S. Regan Administrator U.S. Environmental Protection Agency

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

Dear Administrator Regan,

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

Community Roots Housing is a 45 year old developer, owner and manager of multifamily affordable housing based in Seattle Washington. We currently operate 48 properties providing nearly 1,600 affordable apartment homes for over 2,000 individuals and families. As an active developer, we currently have four projects under construction comprising 526 new homes. Among these projects is the Heartwood, one of the country's first Cross Laminated Timber affordable apartment buildings. Cross Laminated Timber is an emerging construction material for residential use which sequesters carbon, reduces the need for concrete and steel, and shortens construction site time. All significantly reducing GHGs and demonstrating the affordable housing industry's existing leadership in driving GHG reduction in LMI communities.

We welcome 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 own 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 and especially of affordable housing. 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.

The affordable housing industry is uniquely positioned to drive GHG reductions in LMI communities because of our existing expertise in sustainable development and work in those prioritized communities. 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,

Christopher Persons, CEO Community Roots Housing

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



December 1, 2022

U.S. Environmental Protection Agency ATTN: Environmental Finance Advisory Board 1200 Pennsylvania Avenue NW Washington, DC 20004 ghgrfund@epa.gov

SUBJECT: Public Comments from the Connecticut Green Bank – Environmental Finance Advisory Board Request for Public Comments

To Chair Kerry O'Neill:

The Connecticut Green Bank ("Green Bank") appreciates the U.S. Environmental Protection Agency's ("EPA") Environmental Finance Advisory Board's ("EFAB") efforts to request public comments on the Greenhouse Gas Reduction Fund ("GHGRF"). EPA is seeking advice from EFAB on a number of things related to the GHGRF.

As the nation's first state-level green bank, the Connecticut Green Bank leverages the limited public resources it receives to attract multiples of private investment to scale up clean energy deployment. Since its inception, the Green Bank has mobilized \$2.26 billion of investment into Connecticut's clean energy economy at a 7 to 1 leverage ratio of private to public funds. The Green Bank has supported the creation of 27,720 direct, indirect and induced jobs, reduced the energy burden on over 66,500 families and businesses, deployed nearly 510 MW of clean renewable energy, helped avoid 10.4 million tons of CO2 emissions over the life of the projects, and generated \$113.6 million in individual income, corporate, and sales tax revenues to the State of Connecticut.

These are the public comments of the Green Bank to EFAB on the GHGRF.

Section I: Objectives – Environmental Justice Definitions and Program Efficiency

A. Environmental Justice Definitions

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?

Response

The Green Bank's response applies to Sec. 134(a)(1) and Sec. 134(a)(3) of the GHGRF that specifically address low income and disadvantaged communities.

The Green Bank proposes several things for EPA's consideration in defining "low income" and "disadvantaged" communities, including appropriate state and federal definitions and non-locational community definitions.

State and Federal Definitions

Consistency in the definition of "distressed", "low income", "disadvantaged", and "structurally marginalized communities" across federal agencies and state agencies (e.g., state energy offices, departments of health and departments of housing) would support the successful deployment of capital to these high interest communities. In Connecticut there are two (2) definitions of relevance – environmental justice community and vulnerable communities.

■ Environmental Justice Community — the definition of an environmental justice community (Connecticut General Statutes "CGS" 22a-20a)¹ consists of (A) a United States census block group, as determined in accordance with the most recent United States census, for which thirty percent or more of the population consists of low-income persons, not including institutionalized individuals, that are 200% below the Federal poverty level, or (B) a "distressed municipality"² (CGS 32-9p).

 $^{^{1}\,\}underline{\text{https://portal.ct.gov/-/media/DOT/CGSSec22a20aEnvironmentalJusticeCommunitypdf.pdf}}$

² "Distressed municipality" means, as of the date of the issuance of an eligibility certificate, any municipality in the state which, according to the United States Department of Housing and Urban Development meets the necessary number of quantitative physical and economic distress thresholds which are then applicable for eligibility for the urban development action grant program under the Housing and Community Development Act of 1977, as amended, or any town within which is located an unconsolidated city or borough which meets such distress thresholds. Any municipality which, at any time subsequent to July 1, 1978, has met such thresholds but which at any time thereafter fails to meet such thresholds, according to said department, shall be deemed to be a distressed municipality for a period of five years subsequent to the date of the determination that such municipality fails to meet such thresholds, unless such municipality elects to terminate its designation as a distressed municipality, by vote of its legislative body, not later than September 1, 1985, or not later than three months after receiving notification from the commissioner that it no longer meets such thresholds, whichever is later. In the event a distressed municipality elects to terminate its designation, the municipality shall notify the commissioner and the Secretary of the Office of Policy and Management in writing within thirty days. In the event that the commissioner determines that amendatory federal legislation or administrative regulation has materially changed the distress thresholds thereby established, "distressed municipality" means any municipality in the state which meets comparable thresholds of distress which are then applicable in the areas of high unemployment and poverty, aging housing stock and low or declining rates of growth in job creation, population and per capita income as established by the commissioner, consistent with the purposes of subdivisions (59) and (60) of section 12-81 and sections 12-217e, 32-9p to 32-9s, inclusive, and 32-23p, in regulations adopted in accordance with chapter 54. For purposes of sections 32-9p to 32-9s, inclusive, "distressed municipality" also means any municipality adversely impacted by a major plant closing, relocation or layoff, provided the eligibility of a municipality shall not exceed two years from the date of such closing, relocation or layoff. The Commissioner of Economic and Community Development shall adopt regulations, in accordance with the provisions of chapter 54, which define what constitutes a "major plant closing, relocation or layoff" for purposes of sections 32-9p to 32-9s, inclusive. "Distressed municipality" also means the portion of any municipality which is eligible for designation as an enterprise zone pursuant to subdivision (2) of subsection (b) of section 32-70.

• <u>Vulnerable Communities</u> – the definition of *vulnerable communities* (Public Act 20-05)^{3, 4} builds on the environmental justice community definition to also incorporate the disproportionate impacts of climate change for low- and moderate-income communities, environmental justice communities, communities eligible for the Community Reinvestment Act of 1977, and allowing for further changes in the definition by DEEP in consultation with community representatives.

The Department of Energy ("DOE") has led a Justice 40 Initiative which identifies and prioritizes serving disadvantaged communities ("DACs"). The DOE defines DACs as people groups with cumulative burden over a broad list of indicators, including types of socio-economic vulnerability, environmental and climate hazards, etc. The DOE definition of DACs also references the Office of Management and Budget's Interim Guidance definition of a community: a community is a geographic location (i.e., census tract) and can be a people group not physically in the same area with a shared-common experience.

Connecticut's public policy definitions of environmental justice communities and vulnerable communities are consistent with the DOE's Justice 40 Initiative, as well as the intent of the GHGRF's low-income and disadvantaged communities.

If EPA were to align the GHGRF definitions to appropriate, existing state (e.g., environmental justice communities, vulnerable communities) and federal definitions (e.g., DOE's Justice 40 Initiative's DACs), it would have an amplifying impact on where and how these funds reach this critical audience. EPA should consider such state and federal definitions for low income and disadvantaged communities for the GHGRF where appropriate.

Non-Locational Community Definitions

Incorporating a non-location community definition would allow EPA to develop programing that is adaptable to changing community dynamics, such as indigenous populations that may or may not be co-located. Although low income and disadvantaged community designations are noted in the GHGRF, the alignment to support distressed and marginalized communities is shared across the federal and some state governments.

In reference to possible criteria or tools, another consideration for EPA in prioritizing greenhouse gas emissions and other air pollution reduction efforts is the tie between low-income and disadvantaged communities and the geographic location of historic industrial land use. Connecting with research support can help to identify specific locations and support the changes in locating potential air polluting facilities. Dr. Robert Bullard, Dr. Beverly Wright and scholars within topics of environmental justice and distributive justice have researched the connections between marginality and transportation access and emitting facilities. In Connecticut, those cities identified as disadvantaged using DOE's definitions align with historic

³ "An Act Concerning Emergency Response by Electric Distribution Companies, the Regulation of Other Public Utilities and Nexus Provisions for Certain Disaster-Related or Emergency-Related Work Performed in the State" – click here.

⁴ "Vulnerable communities" means populations that may be disproportionately impacted by the effects of climate change, including, but not limited to, low and moderate income communities, environmental justice communities pursuant to section 22a-20a, communities eligible for community reinvestment pursuant to section 36a-30 and the Community Reinvestment Act of 1977, 12 USC 2901 et seq., as amended from time to time, populations with increased risk and limited means to adapt to the effects of climate change, or as further defined by the Department of Energy and Environmental Protection in consultation with community representatives.

industrial cities with aging infrastructure (e.g. Bridgeport, Harford and Waterbury) and compounding environmental impact on natural resources (e.g. air quality, emissions). This will likely look different across the nation, but in the northeast, GHGRF can support these types of low-income distressed areas, including those with brownfields.

EPA should consider state-determined brownfields within its definition of low income and disadvantaged communities.

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

Response

The Green Bank's response applies to Sec. 134(a)(1) of the GHGRF.

Please see responses within Section 1 Bii (below) regarding fund distribution and Ai (above) regarding identifying low-income and disadvantaged communities.

An Intended Use Plan ("IUP") is considered one of best practices of the State Revolving Fund, and the Green Bank supports it as a tool to ensure an equitable, competitive distribution of funds. Through such an IUP, EPA could require states identify communities and organizations that have received little or no funds in the past, prioritize those communities in fund allocation. Such IUP's could also require states to identify low income and disadvantaged communities it should prioritize for greenhouse gas and other air pollution reduction investments.

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.

Response

The Green Bank's response applies to Sec. 134(a)(1), Sec. 134(a)(2), and Sec. 134(a)(3) of the GHGRF.

GHGRF funding could provide a variety of technical and/or financial assistance to ensure low-income and disadvantaged communities are able to be direct or indirect beneficiaries of GHGRF funding.

Technical Assistance

Several DOE technical assistance programs, present best practice models for community engagement, including, but not limited to:

<u>National Laboratories</u> – the DOE has an extraordinary resource in its seventeen (17) national laboratories that can provide various forms of technical assistance. For example, the National Renewable Energy Laboratory ("NREL") provided rigorous, integrated engineering-economic analysis to the Los Angeles Department of Water and Power through

the Los Angeles 100% Renewable Energy Study ("LA100").⁵ NREL is doing something similar with PR100 in Puerto Rico.⁶

- Communities LEAP⁷ a pilot technical assistance program that brings together resources from the nation's premier national laboratories with disadvantaged communities across the country to develop or implement local clean energy plans. Grounded in the eight (8) policy principles of the DOE's Justice 40 Initiative, resources from the GHGRF should be provided for Communities LEAP to be replicated and scaled-up across the country to support more low-income and disadvantaged communities.
- <u>SunShot Initiative</u> a program to reduce "soft costs" from the deployment of solar PV, the SunShot Initiative provided technical assistance resources to communities to reduce permitting and zoning barriers, reduce customer acquisition costs through community-based marketing campaigns (e.g., Solarize, Solar for All⁹), and increase information on financing to enable investment in and deployment of clean energy. The GHGRF should provide technical assistance resources to replicate and scale-up such community-based activities with a focus on low-income and disadvantaged communities.

Such technical assistance in community action planning, implementation, and engagement, with support to remove local barriers and increase customer adoption of technology through marketing and financing, while meeting the needs of the community, will ensure low-income and disadvantaged communities are able to be direct or indirect beneficiaries of GHGRF funding.

Financial Assistance

There is a need for continuous and ongoing financial assistance training and certification of workers. For example, there are several "best practice" certificate programs, including, but not limited to:

- Financing and Deploying Clean Energy Certificate Program ¹⁰— a year-long online admissions-based certification program offered by Yale for working professionals who seek to accelerate the transition to a clean economy. The key objective of this program is to help professionals understand the interplay of the financial, technological, and socioeconomic drivers in financing and deploying clean energy.
- Solar Lending Professional Training and Certification¹¹— an online program offered by Inclusiv, designed to increase the capacity of community-based lenders (credit unions, community development financial institutions ("CDFIs"), and community banks) to offer solar financing. The training is offered free of charge to cohorts of lending professionals who have high capacity to implement solar loan programs at their institutions.

⁵ https://www.nrel.gov/analysis/los-angeles-100-percent-renewable-study.html

⁶ https://www.nrel.gov/news/program/2022/doe-launches-study-to-consider-equitable-pathways-to-power-puerto-rico-with-100-renewable-energy.html

⁷ It should be noted that the Green Bank, working in collaboration with the Greater Bridgeport Community Enterprises and Operation Fuel, were among the awardees for Communities LEAP technical assistance pilot.

⁸ https://cbey.yale.edu/sites/default/files/2019-09/Solarize%20Your%20Community%20Rev1%20Dig.pdf

⁹ https://www.ctgreenbank.com/solarforall/

¹⁰ https://cbey.yale.edu/financing-and-deploying-clean-energy-certificate-program/about-the-certificate

 $^{^{11}\,\}underline{\text{https://inclusiv.org/inclusiv-center-for-resiliency-and-clean-energy-free-solar-lending-professional-training-certificate/}$

Such financial assistance should be encouraged and scaled up through funding from the GHGRF, which will not only ensure low-income and disadvantaged communities are able to be direct or indirect beneficiaries of GHGRF funding, but also provide useful workforce development and credentials to support the advancement of people of color within financial services.

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?

Response

The Green Bank's response applies to Sec. 134(a)(1), Sec. 134(a)(2), and Sec. 134(a)(3) of the GHGRF.

Leverage

The capital required to address federal and state goals for carbon reduction, together with the particular emphasis for environmental justice for low-income and disadvantaged communities, far outstrips the \$27 billion of funding available under the GHGRF. As such, it is indisputable that higher private-sector leverage, as well as the ongoing sustainability of grant funds once issued by EPA, is a particularly desirable criteria for GHGRF grant awards. At the same time, the Green Bank recommends considering the following:

- (1) Leverage can be a challenging metric to define and measure particularly across different activities (lending vs. market building for instance)
- (2) Certain financial institutions may have an inherent advantage over other financial institutions in leveraging grants with the private-sector
- (3) Some institutions that will be potential GHGRF program applicants will be "non-financial" entities (such as States, municipalities, and Tribal governments pursuant to Sec. 134(a)(1)) and may find strict requirements for private-sector leverage a challenging barrier but should still qualify for grants
- (4) Still other worthy institutional applicants or indirect recipients may yet exist (as suggested in Sec. 134(b)(2)) and their ability to achieve private-sector leverage upon commencement of operations could be limited for a prolonged period.

While the Green Bank feels that leverage should be an essential criteria for GHGRF awards, awards should consider a series of factors – such as the demonstrated ability of an organization to reach and serve their designated market area, deploy capital into GHG reducing activities, attain carbon reductions, reduce energy burdens (with additional credit for serving low-income customers and disadvantaged or underserved / underbanked communities). EPA would be better served by appreciating the diverse capabilities of different market actors and using criteria which enables EPA to allocate grants and establish deliverables or outcomes based on: a demonstrated track record of GHG reducing activities; pathways to local communities, either directly or via active partnership activities; clear coordination with state energy, housing and

transportation policies for climate action; and robust systems to track capital deployment and environmental outcomes.

To accommodate new participants without a track record of success but that may still be essential in the transition to a green economy, EPA should invite applicants to provide a process that embraces and provides access to funding for innovative models on the horizon while respecting the need for these new players to demonstrate outcomes that satisfy GHG, climate justice and economic development goals.

Additionality

The Green Bank supports the GHGRF policy to facilitate additionality but emphasizes that demonstrating additionality can be challenging. The program should prioritize grants for GHG reduction purposes which, in the absence of the grants, would not have occurred. However, in practice it can be difficult to attribute causation to a particular intervention.

Today, access to capital for GHG reduction projects can be constrained by several barriers such as a lack of willingness of capital providers to fund certain technologies, types of end users (e.g., LMI customers or multifamily affordable housing situations), or certain geographies. Increased costs for capital can also be a barrier to financing such as a disparity between perceived vs. actual risk, market failures, or constrained supply of a particular source of capital (e.g. tax equity). The time required to source capital for projects or the scale of the activity may be yet another barrier.

While the funding available through the GHGRF may allow projects to address these barriers and develop projects that otherwise would not be realized, demonstrating this may be a barrier. In considering additionality, we recommend EPA take a holistic approach such that GHGRF scale, impact, efficiency, and equity are not sacrificed for a strict ability to evidence additionality.

Recycling Capital

To create the generational change envisioned by the GHGRF, it is likely that some organizations will be involved in capacity building, market building, education, or technical assistance and that this support may take the form of grants. However, to maximize the impact of the GHGRF, the Green Bank supports a policy of recycling grants to ensure continued operability. It is expected that the cost of the grants detailed above to support activities such as capacity building will be recovered long term through financing activities.

Best Practices and Lessons Learned from ARRA

The GHG grant competition can be designed so that funding is highly leveraged and maximizes additionality by considering the "best practices" and "lessons learned" from the American Recovery and Reinvestment Act ("ARRA"). In addition to that, EPA needs to balance the need for grants for capacity building and short-term results with capital structures that will allow capital to be recycled over time (i.e., revolving loan funds). The Green Bank provides the following comments.

EPA should consider "best practice" program design features from ARRA, which taught many state and local governments how financial assistance can increase and accelerate the investment in and deployment of clean energy, including, but not limited to:¹²

- <u>Loan Loss Reserves</u> by providing community development financial institutions, credit unions, and community banks with loan loss reserves, the Green Bank was able to stretch public resources further; and
- Interest Rate Buydowns by initiating special offers to lower interest rates to encourage new technology adoption (e.g., solar PV, air source heat pumps, ground source heat pumps), the Green Bank was able to increase and accelerate the investment in and deployment of clean energy.

The Green Bank invested \$8.3 million of financial assistance from ARRA, in combination with \$16.5 million of its own resources, to mobilize \$158.1 million of private capital investment in clean energy. Beyond the significant leverage of ARRA funds, the investments were a catalyst to new financing opportunities within Connecticut (e.g., from CT Solar Lease to Solar for All) and investment outside of Connecticut (e.g., CT Solar Loan).

For details on the financing products and the social impact resulting from resources provided through ARRA – see Attachment A.

This investment resulted in supporting over 9,000 families reducing energy burden from clean energy deployment, while creating over 2,000 jobs, reducing nearly 600,000 tons of CO_2 emissions, and reaching over 50% of the projects with nearly 40% of investment in vulnerable communities. Several of the residential financing programs supported by ARRA, including new programs created as a result of ARRA (i.e., Solar for All), led to significant investment and projects directed at vulnerable communities – see Table 1.

Table 1. Green Bank Residential Clean Energy Financing Programs by Investment and Projects for Vulnerable Communities

	Investment (\$MM's)			# of Projects		
Program	Not Vulnerable	Vulnerable Communities	% Vulnerable Communities	Not Vulnerable	Vulnerable Communities	% Vulnerable Communities
	Communities			Communities		
Smart-E Loan ¹³	\$75.1	\$41.3	34%	3,689	2,627	42%
CT Solar Loan	\$6.7	\$2.4	26%	197	82	29%
CT Solar Lease ¹⁴	\$30.2	\$16.1	35%	746	443	37%
Solar for All ¹⁵	\$27.9	\$90.5	76%	929	3,363	78%

One of the many "lessons learned" supporting ARRA implementation, specifically as it applied to residential clean energy financing and deployment, was categorical exemptions for Davis Bacon, National Environmental Policy Act ("NEPA"), and historical preservation. Recognizing the

¹² It should be noted that the use of ARRA funds for "third party insurance" was not pursued by the Green Bank, however, given the increasing impacts of climate change, such an approach could be useful in the future.

¹³ Annual Comprehensive Financial Report for FY22 (270) – click here

¹⁴ Ibid (354)

¹⁵ Annual Comprehensive Financial Report for FY21 (266) – <u>click here</u>

importance of a just transition and the need for Community Benefit Agreements ("CBAs"), the Green Bank would suggest that EFAB consider similar treatment as ARRA for eligible projects (e.g., not applying to projects with construction costs less than \$5 MM) for residential customers supported by the GHGRF, including those residing in single family homes and multifamily affordable housing.

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?

Response

The Green Bank's response applies to Sec. 134(a)(1), Sec. 134(a)(2), and Sec. 134(a)(3) of the GHGRF as noted in the comments below.

Complementary State and Federal Programs

For Sec. 134(a)(1), EPA should consider the alignment of an applicant's projects with or advancement of state and federal equity goals such as location-specific pollution reductions, the projects' alignment with or advancement of state decarbonization and/or resilience plans, and a portfolio's likelihood and scale of financial standing improvement for disadvantaged communities. EPA should allow grants to act as flexible, gap-filling monies to complement other sources of funding (i.e., BIL or state incentive programs) and to unlock private-sector investment not only for projects that need credit enhancement but also for projects and communities, particularly environmental justice and vulnerable communities, that currently have limited access to financial markets due to systemic inequities.

The same can be said for application of GHGRF grants pursuant to Sec. 134(a)(1), (2) and (3), toward projects benefitting from rebates, tax credits and other support from the Inflation Reduction Act, the Bipartisan Infrastructure Law ("BIL") or American Rescue Plan Act. The BIL offers a myriad of opportunities to advance GHG reduction priorities. Various Connecticut state agencies have already participated in dozens of RFIs, FOAs, and RFPs issued in support of the BIL. The Green Bank has participated in these activities as they align to our mission of supporting Connecticut to achieve our policy goals of a 45% reduction from 2001 levels by 2030 (equivalent to 50% reduction from 2005 levels by 2030). We provide support to these requests by: sharing lessons learned from our decade of work in the clean energy space and ensuring that environmental justice community leaders are aware and have the resources to participate in these activities.

To achieve federal, state, and local GHG reduction targets, GHGRF grants need to be as flexible as possible – particularly when used to advance investment in low-income and disadvantaged communities – to be gap-filling and catalytic funds to complement increased investment in qualified projects.

Equitable Competitive Distribution of Funds

In terms of a structure at the federal level that could effectively complement Sec. 134(a)(1) of the GHGRF, while supporting lasting, long-term transformation, the Green Bank suggests that EFAB consider an "equitable, competitive distribution of funds" using "best practices" from existing EPA financing programs (i.e., State Revolving Funds ("SRF") and Water Infrastructure Finance and Innovation Act ("WIFIA")).

As EPA begins to layout a process for determining how the GHGRF will be distributed, it need not look beyond the best practices it has already established through the SRF and WIFIA funds. The SRF has provided nearly \$190 billion of low-cost financing for a wide range of water quality and drinking water infrastructure projects since inception – 43,000 water quality and 16,300 drinking water projects. Within the Bipartisan Infrastructure Law ("BIL") (or Infrastructure Investment and Jobs Act ("IIJA")), EPA will allocate \$44 billion in dedicated SRF to States, Tribes, and Territories with nearly half of this funding available as grants or principal forgiveness loans that remove barriers to investing in essential water infrastructure in underserved communities. And WIFIA, has provided more than \$13 billion in 72 loans to accelerate investment in the nation's water infrastructure by providing long-term, low-cost supplemental credit assistance for regionally and nationally significant projects. By combining the allocation approach of SRF, with the competitive approach of WIFIA, EPA has a proven and transparent process for implementing Sec. 134(a)(1) of the GHGRF that would result in an **equitable, competitive distribution of funds**.

For example, the BIL provided an SRF allocation to States, Tribes, and Territories for both clean water ("CWSRF") and drinking water ("DWSRF"). EPA should apply this allocation formula (e.g., CWSRF and/or DWSRF). And then, per the competitive approach of WIFIA, States, Tribes, and Territories would submit a letter of interest in such allocation, and then submit an application (including a plan for reaching low-income and disadvantaged communities) to compete for such funds. A State, Tribe, or Territory could request funds greater than their CWSRF and/or DWSRF allocation, however, they will only receive such additional funds beyond their allocation if there aren't enough strong applications for such funds or if allocation fails to be used in a timely manner in accordance with the terms of the grants (i.e., such funds could be redeployed to other allocatees).

In addition, states working together within an EPA region, could request additional funds for regionally significant projects.

The GHGRF should not be looked at as a one-time investment. Instead, if invested properly, then perhaps there could be an annual recuring source of funding approved by Congress. EPA should prepare for success in investing funds, just as it has done with the SRF and WIFIA funds and follow its own best practices towards the **equitable**, **competitive distribution of funds**.

Section II: Program Structure - Eligible Recipients, Eligible Projects, and Structure of Funding

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.

Response

¹⁶ EPA Press Release of February 16, 2022 (click here)

¹⁷ EPA Press Release of March 24, 2022 (click here)

The Green Bank's response applies to Sec. 134(a)(1), Sec. 134(a)(2), and Sec. 134(a)(3) of the GHGRF.

EPA has been allocated a limited amount of funds to administer and oversee the GHGRF program. Therefore, as a practical matter, EPA will need to constrain grants to a limited number of ultimate recipients and should therefore solicit applications whereby the ongoing access to financial and technical assistance can be assured over many years. Green Bank suggested separately in its RFI response to EPA that EPA solicit proposals for a substantially capitalized national clean energy financing platform - a national climate bank (NCB) funded via grants sourced under Sec. 134(a)(2), and Sec. 134(a)(3) – could fulfill this need for ongoing access to financial and technical assistance for a wide range of applicants over many years to come. But the NCB will only be able to fulfill its mandates for direct and indirect investments and financial and technical assistance (including grants as well as financing for equity grants and long-term, patient capital (with no - low cost of funds) for intermediaries with a substantial grant from EPA. Provided the governance, leadership and management of the NCB is acceptable to EPA (as described in Green Bank's RFI responses), EPA should be confident granting a very substantial grant (not less than \$10 billion) to such NCB. EPA could even stipulate that the NCB allocate to intermediaries or sub-grantees a defined amount of the original grant to be so allocated in the form of grant or near equity funds that could permit the intermediaries or sub-grantees to leverage these funds with private-sector investment or capital. The NCB should be required to demonstrate that it allocates in grants or financing a minimum of 100% of the funds granted to it by EPA within 5 years from the date the funds are received by the NCB. As described in Green Bank's RFI responses, EPA should expect the NCB to leverage its balance sheet by at least \$2 for every \$1 of "net assets" (effectively the NCB's equity) - and potentially this could be \$3 or even \$4 per \$1 of "net assets". The NCB may attract other revenue streams as it matures, but unlike some development bank analogs, the NCB will not have "callable capital" from sponsoring governments – so it is uncertain in practice how much leverage the NCB could achieve. We do observe that the UK Green Investment Bank achieved this "100%" target in just over 3 years – so this does suggest that the NCB could considerably exceed this target by year 5.

Separate from the NCB, the Green Bank asserts that there should be a strict: "use it or lose it" rule. This is another benefit of the NCB addressed in the Green Bank's RFI responses – the ability to provide "capital on demand". In this way – entities needing capital or grants (which would be subject to a competitive process) – would apply only for the capital or grants they could actually deploy in a particular period of time. In the event that recipients were unable to deploy the capital, the balance of the grant or capital allocation would be redeployed to others ready and able to make use of the funding. From this perspective, the deployment period might be short (since the capital is available "on demand") - such as 12, 18 or 24 months. It would be less likely that funds would be recaptured (unless the failure to deploy was so substantial that recovery of some portion of the undeployed funds would be mandatory). More often, the case would be that the next "tranche" of funding would be reduced or deferred. In any event, the allocation of capital would be more dynamic and more akin to the way financial institutions all over the nation make funds available to their borrowing clients.

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?

Response

The Green Bank's response applies to Sec. 134(a)(1), Sec. 134(a)(2), and Sec. 134(a)(3) of the GHGRF.

An "eligible recipient [entity]" and/or "indirect recipient," such as a statutorily created state or local green bank, working in concert with community development financial institutions and other local lenders, could enable GHGRF grants to support investment in and deployment of GHG and air pollution reducing projects in low-income and disadvantaged communities. For example, the Green Bank is a quasi-public agency created through an act of legislation by the Connecticut General Assembly ("CGA"). As a quasi-public agency, the Green Bank is a nonprofit organization that supports the State of Connecticut in confronting climate change by reducing GHG emissions by 45% and no less than 80% from 2001 levels by 2030 and 2050, respectively, through the investment in and deployment of clean energy and environmental infrastructure.

Within its Comprehensive Plan, the Board of Directors of the Green Bank, established a goal that by 2025, no less than 40% of investment and benefits from the Green Bank be directed to vulnerable communities. Since its inception, the Green Bank has made progress towards this goal – see Table 2.20

Table 2. Investment in and Deployment of Clean Energy in Environmental Justice Communities in Connecticut with Support from Green Bank (2012-2022)

Investment		Deplo	yment	Projects	
\$MM's	%	MW	%	#	%
\$787.0	36	162.2	32	23,648	39

The investment in and deployment of clean energy will avoid the emissions of GHGs and air pollution – see Table $3.^{21}$

Table 3. Emissions Avoided from Investment in and Deployment of Clean Energy in Connecticut

CO ₂ Emissions	NO _x Emissions	SO ₂ Emissions	PM _{2.5} Emissions
(lifetime tons)	(lifetime pounds)	(lifetime pounds)	(lifetime pounds)
10,432,372	11,148,904	9,657,105	857,422

For a summary of the Green Bank's social impacts – see Attachment B.

B. Eligible Projects

¹⁸ 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 grant funds under this section; (C) is funded by public or charitable contributions; <u>and</u> (D) invests in or finances projects alone or in conjunction with other investors.

¹⁹ Undefined under Sec. 134

²⁰ Annual Comprehensive Financial Report for FY22 of the Green Bank (155)

²¹ Ibid (147-149)

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

Response

The Green Bank's response applies to Sec. 134(a)(1), Sec. 134(a)(2), and Sec. 134(a)(3) of the GHGRF.

In addition to "distributed technologies on residential rooftops," in terms of "qualified projects"²² and "zero emissions technology,"²³ the Green Bank would suggest that EPA look to the Clean Energy and Sustainability Accelerator ("Accelerator") passed out of the House of Representatives,²⁴ National Climate Bank Act introduced in the Senate,²⁵ and state level projects (e.g., environmental infrastructure) consistent with the intent of the GHGRF for additional guidance.

Accelerator and National Climate Bank

The Green Bank, supporting work being led by the Coalition for Green Capital, assisted Congresswoman Dingell with the drafting of the Accelerator, including the definition of "qualified projects" with a focus on "confronting climate change" by avoiding or reducing GHG emissions, and increasing resilience against its impacts.

Within the Accelerator, the following "qualified projects" were included:

- Renewable energy generation (e.g., solar, wind, geothermal, hydropower, ocean and hydrokinetic, and fuel cells26)
- Building energy efficiency, fuel switching and electrification
- Industrial decarbonization
- Grid technology such as transmission, distribution and storage to support clean energy distribution, including smart grid applications27
- Agriculture and forestry projects that reduce net greenhouse gas emissions
- Clean transportation (e.g., battery electric vehicles, plug-in hybrid electric vehicles, hydrogen vehicles, other zero emissions fueled vehicles)
- Related vehicle charging and fueling infrastructure28
- Climate resilient infrastructure

In addition to the Accelerator, the following "qualified projects" could be considered within the context of the National Climate Bank Act:

²² 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.

²³ Means any technology that produces zero emissions of (A) air pollutant that is listed pursuant to section 108(a) (or any precursor to such an air pollutant); and (B) any greenhouse gas.

²⁴ https://www.congress.gov/bill/117th-congress/house-bill/806/text

²⁵ Included within the Senate proposed National Climate Bank Act of 2021 (i.e., not the Accelerator)

²⁶ In Connecticut, given its leading global hub for manufacturing, stationary fuel cells are within the Class I RPS

²⁷ In Connecticut, there are efforts by the electric distribution companies to install advanced metering infrastructure as the backbone to its clean energy future, including, but not limited to distributed energy resources (e.g., behind-the-meter renewable energy, demand response, battery storage, electric vehicles), improved measurement and verification, on bill financing, etc.

²⁸ It should be noted that the Green Bank led an effort of multiple stakeholders to develop the voluntary carbon offset standard for electric vehicle charging stations – https://verra.org/methodology/vm0038-methodology-for-electric-vehicle-charging-systems-v1-0/

Water efficiency, including residential, commercial, and industrial

The Green Bank would recommend that EPA consider all "qualified projects" outlined within the Accelerator, and consideration of measures within the Climate Bank Act, to apply to the GHGRF for direct and indirect investments.

In addition to these "qualified projects," the Green Bank suspects that there will be preexisting health and safety issues (e.g., lead, mold, asbestos) on properties, especially within low-income and disadvantaged communities, that prevent the deployment of projects. Because such preexisting issues are a barrier to deployment, the Green Bank would recommend that a portion of the GHGRF be allocated to support preexisting health and safety issues on properties as they too, should be considered "qualified projects" as long as there is a nexus with other projects supporting the GHGRF.

Environmental Infrastructure

Following the passage of the Accelerator by the House of Representatives, in June 2021 Connecticut Governor Lamont led a bipartisan effort to expand the scope of the Green Bank beyond "clean energy"²⁹ to include "environmental infrastructure"³⁰ through the passage of Public Act 21-115.³¹ The Act seeks to apply the green bank model to environmental infrastructure, while advancing the capabilities of the Green Bank, including, but not limited to:

- <u>Environmental Infrastructure Fund</u> establishing a fund within the Green Bank that can receive funding from federal sources (e.g., Accelerator, GHGRF) to be invested in environmental infrastructure.
- Bonding enables the Green Bank to issue revenue bonds for up to 50 years for environmental infrastructure.
- <u>Expanding Reporting Requirements</u> expands the Green Banks reporting requirements beyond the Energy and Technology Committee and Commerce Committee, to also include the Environment Committee and Banking Committee of the CGA to increase accountability.

²⁹ "Clean energy" means solar photovoltaic energy, solar thermal, geothermal energy, wind, ocean thermal energy, wave or tidal energy, fuel cells, landfill gas, hydropower that meets the low-impact standards of the Low-Impact Hydropower Institute, hydrogen production and hydrogen conversion technologies, low emission advanced biomass conversion technologies, alternative fuels, used for electricity generation including ethanol, biodiesel or other fuel produced in Connecticut and derived from agricultural produce, food waste or waste vegetable oil, provided the Commissioner of Energy and Environmental Protection determines that such fuels provide net reductions in greenhouse gas emissions and fossil fuel consumption, usable electricity from combined heat and power systems with waste heat recovery systems, thermal storage systems, other energy resources and emerging technologies which have significant potential for commercialization and which do not involve the combustion of coal, petroleum or petroleum products, municipal solid waste or nuclear fission, financing of energy efficiency projects, projects that seek to deploy electric, electric hybrid, natural gas or alternative fuel vehicles and associated infrastructure, any related storage, distribution, manufacturing technologies or facilities and any Class I renewable energy source, as defined in section 16-1.

³⁰ "Environmental Infrastructure" means structures, facilities, systems, services, and improvement projects related to water, waste and recycling, climate adaptation and resiliency, agriculture, land conservation, parks and recreation, and environmental markets (e.g., carbon offsets, ecosystem services).

^{31 &}quot;An Act Concerning Climate Change Adaptation" - click here

The Green Bank has been anticipating the passage of the GHGRF (i.e., Accelerator) in its efforts to support the passage of Public Act 21-115 in Connecticut.

In 2022, the Green Bank conducted stakeholder outreach to understand the various components of environmental infrastructure. With its mission to "confront climate change" through the cross-cutting issues of reducing greenhouse gas emissions, increasing climate adaptation and resilience, and enabling investment in vulnerable communities, there were several primers produced on land conservation,³² parks and recreation,³³ and agriculture³⁴ reflecting the observations, findings, and initial recommendations from stakeholders.

In addition to the "qualified projects" included within the Accelerator and Climate Bank, and in support of "environmental infrastructure" to "confront climate change" within Connecticut, the Green Bank would recommend the following additional "qualified projects" be considered:

- Water
- Waste and Recycling
- Climate Adaptation and Resiliency
- Agriculture
- Land Conservation
- Parks and Recreation
- Environmental Markets (including, ecosystem services and carbon offsets)

EPA should consider "qualified projects" that can be supported through the GHGRF from the perspectives of state and local government if those governments have climate change policies consistent with the intentions of the GHGRF.

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

1. What are the barriers to private sector capital?

Response

As detailed in Section 1 Bi (above) regarding additionality, private sector capital can be constrained by several barriers including lack of willingness to fund certain technologies or types of end users (e.g., LMI customers or multifamily affordable housing). Without a sufficient track record of project returns, private capital cannot accurately predict the risk of lending into new markets.

A key part of the green bank model is working with community and private sector financial institutions to address gaps in the market as well as to demonstrate profitable models and acceptable technology, project, and end-user risk (or risk mitigated) structures to the private sector. The Green Bank would suggest that the program be structured in a way that also encourages recipients to partner with private sector financial institutions to leverage the public funds. It is through these partnerships, as the Green Bank has demonstrated, that private sector organizations will gain comfort with clean energy and climate finance. In Connecticut, the Green Bank has addressed several market gaps in the residential solar market with a variety of tools

³² Land Conservation Primer – click here

³³ Parks and Recreation Primer – <u>click here</u>

³⁴ Agriculture Primer – <u>click here</u>

that have sparked private sector investment. In the early days of the residential solar market, the Green Bank identified a lack of options for residential consumers in terms of financing these systems. Our predecessor organization, the Connecticut Clean Energy Fund, pioneered the solar lease with the launch of Solar Lease I. As the market matured and demand increased, the Green Bank noticed persistent gaps in financing options and launched the CT Solar Loan product and the CT Solar Lease II product. Both products relied on the private market not only for contractors to install the solar but also on private sector capital to finance the installations. Both served as ways to educate private financiers on how these structures could work and demonstrated profitability for the financiers with acceptable technology, project and end-user risk and a reduction in energy burden for the homeowners. After the initial run of both offerings, there existed in the market enough competing offers that the Green Bank felt that we did not need to continue to offer a solar loan or lease product for homeowners.

Similarly, as the market matured, the Green Bank observed a market gap regarding where the solar adoption was taking place. To address slower rates of adoption in disadvantaged communities, the Green Bank issued an RFP looking for installers with experience reaching similar communities and worked to create an added income-based incentive. The Green Bank selected PosiGen as a partner and provided financing to support their activities in the disadvantaged communities in the state. As a result, the gap that existed between affluent and disadvantaged communities in terms of solar adoption has now been closed and Connecticut is now installing solar at higher rates in disadvantaged communities than in affluent ones thereby achieving the status of a solar with justice state. The financing provided by the Green Bank has not just helped the initially targeted communities (participating homeowners have seen a reduction in their energy burdens) but has also proven that investment in these communities is profitable.

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.

Response

The Green Bank has supported the development of several case studies to evaluate the impact of greenhouse gas reduction projects. The first, <u>Mapping Household Energy & Transportation</u>

<u>Affordability in Connecticut</u>, ³⁵ reviewed spending on building energy (heating and electricity) and transportation across Connecticut and discusses how clean energy and energy efficiency programs can close the affordability gap and reduce energy burden for low- and moderate-income households. As a key finding, this study identified that the savings generated through installation of solar and energy efficient appliances through a program administered by the Green Bank and other partners could close the affordability gap entirely for many households. A supplemental savings analysis titled <u>Connecticut Green Bank Low and Moderate Income Solar Program Savings Analysis</u> detailed these benefits.

Beyond supporting households disadvantaged by income, the Green Bank also published a review on *Reaching Households in Underserved Communities of Color in Connecticut*. ³⁷ This

³⁵ https://www.ctgreenbank.com/wp-content/uploads/2020/11/Mapping-Household-Energy-and-Transportation-Affordability-Report-Oct-2020.pdf

³⁶ https://www.ctgreenbank.com/wp-content/uploads/2020/11/CGB-LMI-Solar-Program-Savings-Analysis-Oct-2020.pdf

 $^{^{37} \}underline{\text{https://www.ctgreenbank.com/wp-content/uploads/2020/11/CGB-LMI-Solar-Program-Savings-Analysis-Oct-2020.pdf}$

study examined the benefits of the Green Bank's rooftop solar program with a focus on addressing key barriers to adoption by communities of color.

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.

Response

Low-income and disadvantaged communities will face a variety of gaps that differ depending upon the technology (solar, heat pumps, storage, etc.), end-user (residential single family, own vs. rent, multifamily properties, small-medium enterprises ("SMEs"), etc.), and by geography.

End-User Repayment Risk

Some gaps are – for the most part – universal, such as gaps created by concerns with end-user repayment risk. Typically, capital from green banks or mission-aligned investors have stepped in to mitigate these risks for traditional capital. This often takes the shape with a funded or balance sheet (unfunded) loan loss reserve and can be for a first loss or (as the Green Bank has demonstrated) with a second loss product that provides assurance on the basis of portfolio performance for homeowner clean energy loans provided by credit unions and CDFIs ("Smart-E").

Advance Rate

Some gaps are experienced by community lenders seeking to fund their portfolios of clean energy loans to homeowners. Quite often, the capital a traditional lender will lend against such a portfolio is only 65%-75% of the face value of the loans (the "advance rate"). This leave the community lender with a gap that needs to be filled by their equity — which is difficult to raise. The Green Bank has filled this gap for a major CDFI originator by lending between the 75% advance rate of a traditional lender and 90%. This reduces the CDFI's equity requirement by 60%, enabling the CDFI to originate and hold on its balance sheet 150% more loans than without the funding from the Green Bank.

Technology Performance

Other gaps stem from uncertainty with technology performance. For instance, many lenders will only advance to a solar PV project or a series of these projects on the basis of 99% assurance of performance attainment (so-called "P99"). Participation by a green bank of the basis of a more lenient expectation for performance (P90, for example) could reduce the cost of energy supplied under the power purchase agreement (or PPA) without a material increase in risk. Green banks can often step up for these risks due to their longer horizon for investment recovery. The difference between a P99 vs a P90 scenario might be recovering the loan in 12 years vs. 10.

Without this structure, the traditional lender (typically with a term limit less than 10 years) would require more expensive equity from the project sponsor. This raises the cost to the end user (under the PPA) and constrains development because the sponsor has a finite amount of equity sources.

Pooled Transactions

Still other gaps are due to the lack of interest in smaller transactions that take time to originate and package. Here again a green bank's ability to fund directly or through intermediaries a pool

or pools of clean energy transactions, and ultimately bringing in participating capital <u>after</u> the pool gets to a critical size hastens the deployment of capital (since the green bank or its partner intermediary is the sole underwriter, which made credit decisioning more efficient), allows for payment performance "seasoning" as the portfolio is being formed, and ultimately allows the green bank to participate the pool out to other investors on a competitive basis, lowering the cost of capital. The Green Bank demonstrated this technique with a \$20 million portfolio of commercial PACE assessments in 2013 which established the model for securitizing these investments.

Further Comments

Finally – there are very challenging gaps – such as with retrofitting affordable multifamily properties. Initial funding for scoping out project feasibility (so-called "predevelopment funds") are very scarce and thinly capitalized landlord don't have the funds. A properly structured predevelopment program can align lender and landlord interests so these funding gaps can be addressed – and be sustainable when final project funding is arranged.

Over our 10 years of providing clean energy financing, the Green Bank has learned that the gaps are multidimensional and require flexible capital, keen structuring skills, and multiple stakeholders who can partner and share risks, such a traditional banks, community lenders, energy utilities, and philanthropy.

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?

Response

Transaction, programmatic, and regulatory/governmental friction are fatal to program deployment success. Funding deals and conditions that make it onerous for a contractor to manage the sales and installation process can result in slow project deployment. Contractors faced with complex rebate/incentive programs or other government red tape may opt to migrate to those states and towns where these problems don't exist or have been resolved. This is exacerbated in low income and disadvantaged communities, where local government staff can be ill-equipped to deal with the influx of technologies and inspection requirements.

For regulatory or state energy policy administrators, barriers such as existing tariff structures may not provide the right economic incentives for adopting solar PV. Other policies may encourage homeowners to switch from fossil fuel heat to electric heat pumps — only to have electric rates double (as they have in the northeast) — potentially exacerbating energy burdens for low-income customers. Access to capital is not a solution to these problems — it takes well-formed and executed energy policy and a thoughtful regulatory framework to build a successful clean energy strategy that flexible capital can scale and accelerate.

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?

Response

In the experience of the Green Bank, we have found that having a creative, flexible, and innovative approach to creating financing products allows us to have the greatest impact.

Different market failures (e.g. underserved customer segments, high capital costs, etc.) require customized forms of intervention. The local government (State, municipal, Tribal/Territorial government) will likely be the party best suited to match the financing tool to the need identified within their geography. The following are the primary forms of financial assistance the Green Bank has used to create impact:

Direct Lending/Investment – Lending to sub-recipients or to organizations in support of further development of clean energy assets. This activity includes but is not limited to equity investments, working capital loans, secured warehouse facilities, and other forms of debt. This approach works best when there is a substantial number of standardized contracts with downstream borrowers, such as homeowners and small businesses, with a sufficient history of loan performance of at least 5 years.

In Connecticut, we have created loan facilities that increase low-income adoption of solar by lending to PosiGen and we have increased residential access to loans for energy efficiency by directly lending to a CDFI partner in support of their lending to homeowners. Our \$20 million in subordinated and pari-passu loans have attracted over \$350 million in capital investment in PosiGen and its projects for low- and moderate-income families. Further, through our Commercial Property Assessed Clean Energy offering, we have issued loans to hundreds of commercial property owners for energy efficiency and distributed generation projects.

 <u>Credit Enhancements/Credit Support/Guarantees</u> – Financial vehicles that de-risk the activities performed by others.

The Green Bank has used a loan loss reserve for our Smart-E program (which lends to homeowners for energy efficiency or distributed generation) that effectively insures the lenders in the program against certain losses, thereby mitigating much of their risk and allowing them to lend money at lower rates. Rather than use cash for these loan loss reserves, a more efficient way to offer credit enhancements is to use a green bank (or national climate bank) guarantee backed by the entity's balance sheet, which the Green Bank has done successfully for the Smart-E program.

<u>Project Finance</u> – Participating as part of the capital stack for a project, typically in the
form of debt. The Green Bank has provided project financing for specific projects where
our participation can lower the risk and overall cost of capital to the project by joining
others in the financing.

For example, the Green Bank worked with a community bank to repower a 1 megawatt hydroelectric facility. A Green Bank subordinate loan of \$1.2 million plus a \$500,000 limited guarantee enabled a \$4.4 million senior loan from the bank in addition to \$1 million in equity and Small Business Administration support.

Grants – Providing financial assistance to help nascent or expanding organizations build their capacity and to expand to reach their targets. However, grants should be performance based, limited in size, and designed in a way that does not create organizational dependence on them in the long term. The Green Bank has provided grants to Sustainable Connecticut, a community-based organization that partners with towns to improve the sustainability in their communities. The Green Bank has provided grants that have allowed the organization's match fund to facilitate sustainability projects. This has effectively acted as a lead generation for the Green Banks's Solar Marketplace Assistance Program which targets municipal buildings for PPA projects.

Secondary Markets/Securitization – In recognition of the fact that funds coming from the GHGRF will be limited, recipients should eye ways these funds can renew themselves to further impact. Through securitizations and the selling of loans in the secondary market, recipients will be able to recapitalize themselves so that they may continue their other activities. Accessing the secondary market is a key part of the Green Bank model, would be a centerpiece of a national climate bank, and should be a crucial activity for the long-term success of any organization receiving funds from the GHGRF.

The Green Bank has participated in secondary markets by securitizing income streams from our Renewable Energy Credits through the issuance of 3 bonds, allowing for a more timely cost-recovery of our investment in the Residential Solar Incentive Program and effective management of the organization's balance sheet. Additionally, the Green Bank has had sold Commercial Property Assessed Clean Energy loans in the secondary market for similar purposes. Further, the Green Bank has worked in a secondary markets capacity with Eversource, one of the Investor Owned Utilities in the state, by buying small business energy efficiency loans originated by Eversource as the Green Bank and our financing partner can do so at a lower cost of capital than can Eversource.

<u>Creation of Leverage</u> – As discussed above, leveraging public funding to crowd in private sector lenders will stretch the funds received from the GHGRF as far as possible.
 Recipients will need to balance the need to build their balance sheet with assets that help them achieve fiscal sustainability and the need to maximize impact as possible by leveraging the GHGRF funds.

The Green Bank operates a variety of products and programs designed to support the transition to the green economy, each with a different leverage ratio. At a portfolio level, the Green Bank is currently investing at around a 1:7 public to private ratio.

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?

Response

The Green Bank's response applies to Sec. 134(a)(1) of the GHGRF.

Please see responses within Section 1 Aii (above) and Bii (above) regarding an equitable, competitive distribution of funds by leveraging a combined approach following processes

established under SRF and WIFIA allocations. An Intended Best Use Plan ("IUP") by a State, under a "best practice" SRF approach, could address these areas.

Section III: Execution, Reporting, and Accountability

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

Response

The Green Bank's response applies to Sec. 134(a)(1), Sec. 134(a)(2), and Sec. 134(a)(3) of the GHGRF.

Given the tight timeline for implementation of the GHGRF, the key next steps that EPA could take over time, include:

- Short-Term within the 180 days of the signing of the IRA (i.e., August 16, 2022), EPA, in the least, should have sought public comment and issued competitive RFPs (preferably for Sec. 134(a)(1), and Sec. 134 (a)(2) and (a)(3)). Within 180 days of the issuance of expert review sought by EFAB at the meeting of October 18, 2022, in addition to public comment and issuance of competitive RFPs, EPA should have identified winners sought under the competitive RFPs (including at least those under Sec. 134(a)(1)) and initiated legal contract review and disbursement of funds.
- Medium-Term before funds expire in 2024, EPA should have finalized contracts with all RFP winners and have disbursed all funding as noted in Sec. 134 GHGRF the IRA.
- Long-Term as all funding would have been dispersed through an IUP modelled after the "best practice" SRF and WIFIA programs providing a competitive equitable distribution of funds, EPA staff would be monitoring GHGRF performance of various recipients.
- b. What types of requirements could EPA establish to ensure the responsible implementation and oversight of the funding?

Response

The Green Bank's response applies to Sec. 134(a)(1), Sec. 134(a)(2), and Sec. 134(a)(3) of the GHGRF.

The GHGRF provides a significant amount of public funds with various uses and recipients to invest in qualified projects. Given the magnitude of the public funds, especially for those direct or indirect recipients (i.e., grantees, subrecipients) that receive a large amount of funds (e.g., \$25 MM or more), the highest standards for reporting and audit requirements must be considered by EPA. The Green Bank would like to share information that it believes to be up to this standard of accountability given the use of public funds it invests on behalf of Connecticut ratepayers, except applied in this case to the American taxpayers for the GHGRF.

The Green Bank adheres to the highest standard of reporting and auditing, ensuring public transparency,³⁸ including, but not limited to:

- Open Meetings Board of Directors and Committee meetings are noticed to the Secretary of State,³⁹ open to the public, recorded and made available following the meeting, and meeting materials are accessible online.⁴⁰ For recipients of large amounts of funds through the GHGRF, either directly or indirectly, such transparency with governance should be the baseline.
- Annual Reports issued by the Green Bank to the DEEP, committees of cognizance of the CGA,⁴¹ and local elected officials in cities and towns throughout Connecticut.⁴²
- Annual Comprehensive Financial Reports ("ACFR") compiled by the accounting staff of the Green Bank and audited by an external certified public accounting firm in accordance with Generally Accepted Accounting Principles ("GAAP"), the report is submitted to the Government Finance Officers Association ("GFOA") to seek awarding of a "Certificate in Achievement for Excellence in Financial Reporting" the highest award in government financial reporting. Within the ACFR are both the financial report, as well as the non-financial public benefit report demonstrating the results achieved from the investment of public funds.⁴³
- Auditors of Public Account ("APA") the office of the APA, is a legislative agency of the State of Connecticut whose primary mission is to conduct audits of all state agencies, including quasi-public agencies. The office is under the direction of two state auditors appointed by the state legislature. The APA audits certain operations to ensure that the Connecticut Green Bank is meeting its duties under CGS 1-122 and 2-90.44
- Open Connecticut Payroll centralizes state financial information on payroll to make it easier to follow state dollars expended on operations and compensation.⁴⁵
- Open Connecticut Checkbook centralizes state financial information on transactions or expenditures to make it easier to follow state dollars for goods or services.⁴⁶

And lastly, the Green Bank, as a quasi-public entity of Connecticut, adheres to the Connecticut Freedom of Information Act.⁴⁷

For those entities that directly or indirectly receive substantial funding through the GHGRF, ensuring accountability and transparency with the administration and investment of such funds should be of paramount importance to EPA.

³⁸ https://www.ctgreenbank.com/strategy-impact/reporting-transparency/

³⁹ https://portal.ct.gov/SOTS/Legislative-Services/Public-Meeting-Notice-Calendar

⁴⁰ https://www.ctgreenbank.com/about-us/governance/

⁴¹ Energy and Technology, Commerce, Environment, Banking Committees

⁴² For example, FY21 Annual Report – <u>click here</u>

⁴³ For example, FY22 Annual Comprehensive Financial Report – click here

⁴⁴ For example, FY18 and FY19 Auditors' Report – <u>click here</u>

⁴⁵ https://openquasi.ct.gov/payroll

⁴⁶ https://openquasi.ct.gov/checkbook

⁴⁷ https://portal.ct.gov/FOI/Quick-Links/The-FOI-Act

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?

Response

The Green Bank's response applies to Sec. 134(a)(1), Sec. 134(a)(2), and Sec. 134(a)(3) of the GHGRF.

Accountability to Low-Income and Disadvantaged Communities

The Green Bank has several perspectives with regards to this response, including guidance provided by the Community Reinvestment Act ("CRA"), and existence of jurisdictional public policies or corporate structure, as considerations for program design to ensure community accountability for projects funded directly or indirectly by the GHGRF.

From the perspective of financing, in support of the dual goals "to leverage limited public resources to scale-up and mobilize private capital investment in the green economy of Connecticut" and "strengthen Connecticut's communities, <u>especially vulnerable communities</u>, by making the benefits of the green economy inclusive and accessible to all individuals, families, and businesses," the Green Bank tracks CRA eligible investments by location.

To ensure community accountability, EPA should consider within its design for projects funded directly or indirectly by the GHGRF, as they apply to the financing of such projects within low-income and/or disadvantaged communities, guidance from CRA.

It should be noted that not all jurisdictions (e.g., municipal, county, or state governments), nor financial institutions, have public policies or corporate structures, respectively, that can support ensuring community accountability to the GHGRF.

As noted above, Connecticut has numerous public policies in place that guide such community accountability (e.g., from statewide targets to reduce greenhouse gas emissions and statutory creation of the Green Bank to public disclosure of compensation and expense information from the Green Bank). Where jurisdictional public policies don't exist for government, consideration by EPA should include the following:

- Sub-State Public Policies there may be instances where a lack of state public policy, can be augmented by the existence of local public policy (e.g., city or county established renewable energy targets like LA100, or statutorily created green bank like the Montgomery County Green Bank) consistent with the intentions of the GHGRF.
- <u>Public Facing Initiatives</u> there may be Governors of states or Mayors of cities involved in public facing initiatives (e.g., United States Climate Alliance⁴⁸ or United States Conference of Mayors Climate Protection Center⁴⁹) consistent with the intentions of the GHGRF.

With respect to financial institutions who receive funds from the GHGRF either directly or indirectly, the Green Bank has experience partnering with mission-aligned investors that may be

⁴⁸ http://www.usclimatealliance.org/

⁴⁹ https://www.usmayors.org/programs/mayors-climate-protection-center/

insightful to ensuring community accountability.⁵⁰ Where corporate structure is not as apparent, consideration by EPA should include the following:

- <u>Corporate Governance</u> Board of Directors of the financial institution adopting environmental, social, and governance ("ESG") principles consistent with the intentions of the GHGRF.
- <u>Transparency</u> timely and thorough accounting and reporting consistent with the intentions of the GHGRF.

Ensuring community accountability for projects funded directly or indirectly by the GHGRF can be improved through those parties required to adhere to CRA, as well as jurisdictions with strong public policies or corporate governance with demonstrated principles and transparency consistent with the intentions of the GHGRF.

Greenhouse Gas Emission Reductions

With the mission to "confront climate change by increasing and accelerating investment in Connecticut's green economy to create more resilient, healthier, and equitable communities," the Green Bank has three (3) goals, including:

- 1) To leverage limited public resources to scale-up and mobilize private capital investment in the green economy of Connecticut.
- 2) To strengthen Connecticut's communities, especially vulnerable communities, by making the benefits of the green economy inclusive and accessible to all individuals, families, and businesses.
- 3) To pursue investment strategies that advance market transformation in green investing while supporting the organization's pursuit of financial sustainability.

Progress towards the achievement of these goals, are tracked through an Evaluation Framework⁵¹ to guide the assessment, monitoring, and reporting of program impacts and processes arising from clean energy investment and deployment. This framework provides the foundation for determining the e⁴ impact (i.e., economy, equity, energy, and environment) the Green Bank is enabling from its investment. Increasing and accelerating investment in the green economy leads to greater e⁴ benefits to society.

For a summary of the Green Bank's social impacts – see Attachment B.

At a minimum, EPA should require tracking on the following metrics:

- Reductions in GHG emissions or air pollution
- Benefits allocated to low-income and underserved communities (e.g. reduction of energy burden)
- Private sector leverage and additionality

⁵⁰ Amalgamated Bank is such an example, as a B Corporation, they are committed to environmental and social responsibility – net-zero and powered by 100% renewable energy, history of providing affordable access to the banking system, supporting immigrants and affordable housing, and being a champion of workers' rights.

⁵¹ Evaluation Framework – <u>click here</u>

- Increased jobs
- Public health benefits
- Geographic distribution of projects

Data should be collected at the project level for all recipients of funds through the GHGRF and made publicly available, which will reduce the perception of risk by private lenders and encourage more competition in the marketplace.

Leveraging and Recycling Grants

As discussed above, the Green Bank views the leveraging and recycling of grants as of paramount importance. EPA should use leverage as a criteria for GHGRF awards. A variety of green financing organizations, such as green banks, identify the financing activities supported through their capital investments, establish outcomes and metrics to measure progress and leverage additional capital for clean energy, climate, and sustainability investing. (For an example, see the Connecticut Green Bank's Annual Comprehensive Financial Report for FY2022 – "Measures of Success" P.127⁵².) How leverage for investing is calculated and the range of outcomes will differ depending upon the types of institutions and activities financed.

For some institutions, leverage will be relatively straightforward to assess. For those that opt to use GHGRF grants to leverage private capital by crowding in these funds to the overall capital stack in a large project financing or establish sizeable financing facilities to fund hundreds or even thousands of individual projects (such as for households or small businesses), the leverage ratio should be easily identifiable, such as by comparing the amount of public funds in a project or a group of projects to non-public funds attracted.⁵³ In Connecticut, the Green Bank has also leveraged our funding through green bond issuances in the public markets by securitizing future revenue streams associated with clean energy projects, where leverage can also be clearly defined as the ratio of the issuance value of the bonds to the amount of the excess of the issuance value over the value of the collateral offered by the public entity as security.⁵⁴

Other institutions (particularly intermediaries serving depository institutions) calculate leverage by the amount of capital that can be leveraged by the direct lender on the ground through deposits. In these cases, measuring leverage (dollars mobilized per dollar of federal funding) is more straightforward. Metrics that measure the value of projects deployed vs. the dollars used by the grantee in that activity can be determined and tracked.

Bert Hunter

The Green Bank appreciates EFAB's efforts to solicit public comment on the GHGRF. The Green Bank expects to also file public comment to EPA on December 5, 2022.

Sincerely,

Bryan Garcia Bryan Garcia

Bryan Garcia Bert Hunter
President and CEO EVP and CIO

⁵² https://www.ctgreenbank.com/wp-content/uploads/2022/10/Connecticut-Green-Bank-FY22-ACFR-FINAL-2022.10.21.pdf

⁵³ https://www.prnewswire.com/news-releases/posigen-and-forbright-bank-partner-to-expand-clean-energy-options-in-underserved-communities-301395331.html?tc=eml_cleartime

⁵⁴ https://www.ctgreenbank.com/cgb-sells-38m-in-shrecs/

Attachments

Attachment A – American Recovery and Reinvestment Act Attachment B – Social Impact

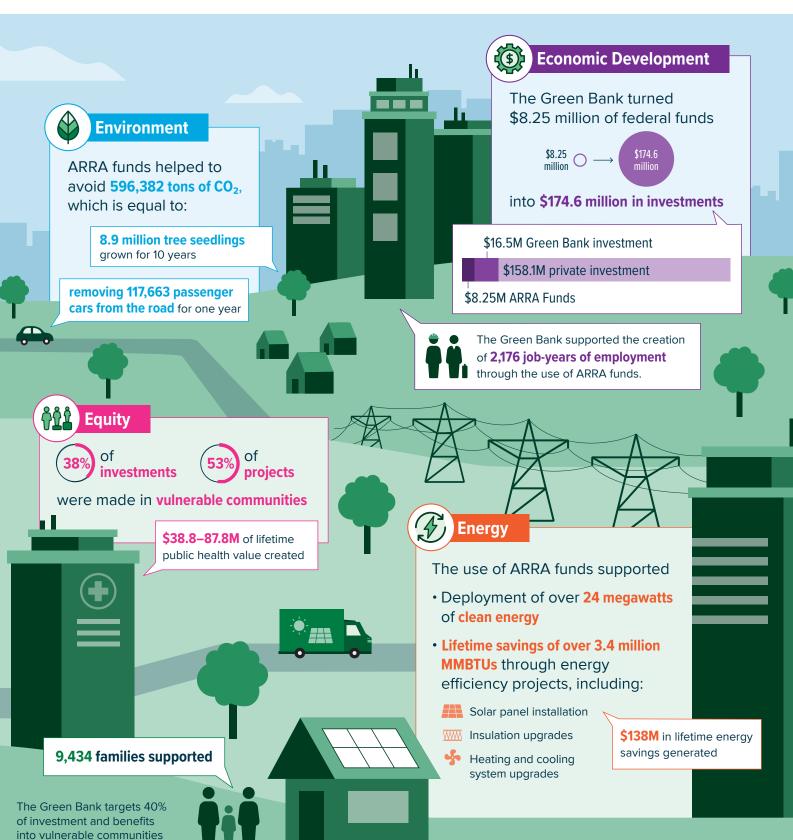
ATTACHMENT A

American Recovery and Reinvestment Act

The Impact of Federal Funds in Connecticut

Through our partnership with the Department of Energy & Environmental Protection, Connecticut Green Bank deployed \$8.25 million of American Recovery and Reinvestment Act of 2009 (ARRA) funds to create more than \$176.4 million of investments into residential clean energy projects. (All data as of 12-31-2021)

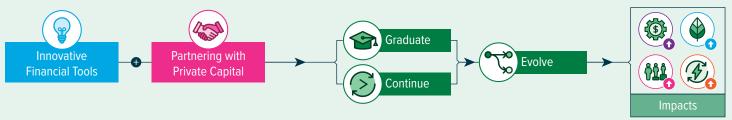




Financing Programs with Federal Funds

GREEN BANK

The Green Bank's ARRA funded programs combined innovative financial tools and partnering with private capital to create programs that promote clean energy, economic growth, a healthier environment, and greater equity in Connecticut.



Program models, proved successful through the deployment of ARRA funds, evolved to focus on additional markets and larger investment beyond the Green Bank.

CT SOLAR LEASE

Allowed homeowners to access the benefits of solar through a lease option.



Leveraged \$3.5M in ARRA funds as a lease loss reserve and \$7.1M in Green Bank Subordinated Debt and Sponsor Equity.



Raised \$15.0M of tax equity investment and \$16.9 million of senior debt through a syndicate of local lenders.



The success of this model led to the creation of "Solar For All": a program based on the model that focused on providing residential solar to low-to-moderate income (LMI) families and communities of color — helping Connecticut achieve 41% deployment in LMI communities

CT SOLAR LOAN

SMART-E LOAN

Enabled homeowners of varying financial means to own their systems at affordable rates without a lien.



Used \$517,000 in ARRA funds for a loan loss reserve (LLR) to allow for the creation of the first-ever crowd- sourced portfolio of solar loans.



Partnered with Sungage Financial and The Reinvestment Fund to generate \$8.3M in lifetime savings.



A loan loss reserve is a pool of money set aside to cover a prespecified amount of loan losses, providing partial risk coverage to lenders.



After this model proved successful, the program expanded to include new partners and a \$100 million pool of capital, without any resources from the Green Bank.

Offers flexible financing for upgrades to home energy performance.



ARRA funds used as LLR and interest rate buydowns (IRB) • to offer homeowners low-interest financing to improve their home's energy performance.



Provided in partnership with 13 local community banks and credit unions, 500+ contractors, and 5,923 families for \$108.7 million in total investment.



Originally focused on clean energy, this program is expanding to support environmental infrastructure.

The program is transitioning from ARRA supported LLR to LLR on the Green Bank's balance sheet using IRBs from ARRA funds.



An **interest rate buydown** is when capital is deployed to pay a portion of the interest on borrowers' loans to decrease their costs.



Unsecured low interest loans serving properties where at least 60% of units serve renters at 80% or lower of Area Median Income.



ARRA funds used as LLR and projected energy savings are used to cover the debt service of the loan.



Offered through a partnership with Capital For Change (C4C), a community development financial institution (CDFI) that provides financial products and services that support an inclusive and sustainable economy.



Using \$300,000 in ARRA funds as LLR, LIME projects have a combined lifetime energy cost savings of over \$117.6M.

ENERGY (LIME) LOAN

ATTACHMENT B

Social Impact



Societal Impact Report

FY12 FY22

Since the Connecticut Green Bank's inception through the bipartisan legislation in July 2011, we have mobilized more than \$2.26 billion of investment into the State's green economy. To do this, we used \$322.4 million in Green Bank dollars to attract \$1.95 billion in private investment, a leverage ratio of \$7.00 for every \$1. The impact of our deployment of renewable energy and energy efficiency to families, businesses, and our communities is shown in terms of economic development, environmental protection, equity, and energy (data from FY 2012 through FY 2022).

ECONOMIC DEVELOPMENT

JOBS The Green Bank has supported the creation of more than 26,720 direct, indirect, and induced job-years.



TAX REVENUES

The Green Bank's activities have helped generate an estimated \$113.6 million in state tax revenues.



\$55.3 million individual income tax

\$29.2 million corporate taxes

\$29.1 million sales taxes

ENERGY

ENERGY BURDEN

The Green Bank has reduced the energy costs on families, businesses, and our communities.





6.500+

DEPLOYMENT

The Green Bank has accelerated the growth of renewable energy to more than **509 MW** and lifetime savings of over 65.6 million **MMBTUs** through energy













ENVIRONMENTAL PROTECTION

POLLUTION The Green Bank has helped reduce air emissions that cause climate change and worsen public health, including 9.6 million pounds of SOx and 11.1 million pounds of NOx lifetime.



10.4 MILLION tons of CO₂: **EQUALS**





156 MILLION

tree seedlings grown for 10 years

passenger vehicles driven for one year

PUBLIC HEALTH The Green Bank has improved the lives of families, helping them avoid sick days, hospital visits, and even death.

\$317.1 - \$717.2 million of lifetime public health value created



EQUITY

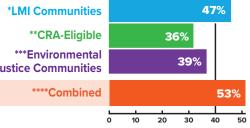
efficiency projects.

INVESTING in vulnerable communities, The Green Bank

harmed by climate change.

has set goals to reach 40% investment in communities that may be disproportionately

40% goal *LMI Communities 47% **CRA-Eligible 36% ***Environmental 39% **Justice Communities**



- *LMI Communities census tracts where households are at or below 100% Area Median Income.
- ** Community Reinvestment Act (CRA) Eligible households at or below 80% of Area Median Income and all projects in programs designed to assist LMI customers.
- **Environmental Justice Community means a municipality that has been designated as distressed by Connecticut Department of Economic and Community Development (DECD) or a census block group for which 30% or more of the population have an income below 200% of the federal poverty level.
- **** Combined Vulnerable Communities include LMI, CRA and EJC





November 23, 2022

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

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

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

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

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

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

Responses to Questions Raised in EFAB White Paper

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ADDENDUM

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

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

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

Under such a scenario, Ecority would:

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

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

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

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

Funds Available for Lending Under GHG Grant Based Insurance Reserve Construct

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

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

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

GHG Reduction Fund Charge to EFAB Enervee Comments

November 25, 2022

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

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

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

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

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

I. Objectives

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

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

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

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

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

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

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

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

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

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

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

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

b. Program Efficiency

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

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

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

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

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

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

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

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

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

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

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

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

- **II. Program Structure**
- a. Eligible Recipients

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

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

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

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

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

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

b. Eligible Projects

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

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

- ii. Considering each major project type/sector/market segment, discuss:
- 1. What are the barriers to private sector capital?

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

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

Deemed Energy Savings: 2022 Mid-Year Report GoGreen Home Energy Financing | Q3 2016 - Q2 2022 | Published September 2022 https://www.treasurer.ca.gov/caeatfa/cheef/energysavings/deemed-ggh-report-q2-2022.pdf

Eco Financing Case Study

https://hubspot.enervee.com/ef-case-study

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

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

Unsung Heroes of Decarbonization: People & Plug Loads

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

Renter (Mis)perceptions

https://www.enervee.com/blog/renter-mis-perceptions

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

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

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

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

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

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

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

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

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

c. Structure of Funding

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

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





November 28, 2022

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

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

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

RE: Greenhouse Gas Reduction Fund

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

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

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



General Comments

Decarbonizing America's Affordable Housing

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

Ensuring Equity, Inclusion, and Healthy Vibrant Communities

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

Community Development Finance Infrastructure

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



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

Comments on EFAB Charge Questions:

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

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

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

- ii. How can EPA ensure that communities and organizations who have received little or no funds in the past receive priority consideration for funding? How could EPA identify the low-income and disadvantaged communities it should prioritize for greenhouse gas and other air pollution reduction investments?
- In developing the structure and operation of the GHGR Fund, the EPA should apply principles of equity and a just energy transition throughout all aspects of the program including how grants are awarded to applicants.



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

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



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

Examples of leveraging existing products for decarbonization:

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

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



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

B. Program Efficiency

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

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

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

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



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

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

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

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

II. Program Structure

a. Eligible Recipients

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

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

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



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

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

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

b. Eligible Projects

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

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



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

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

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

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

1. What are the barriers to private sector capital?

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

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



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

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

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

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

1. Current Product: Pre-development and acquisition financing

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

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

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

3. <u>Current Product</u>: Permanent financing for buildings

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



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

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

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5. <u>Current Product</u>: Construction and Retrofits of single-family homes.

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

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

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



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

C. Structure of Funding

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

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

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

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

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

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

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

Sincerely,

Robin Hughes
President & CEO, Housing Partnership Network #
#
#



November 23, 2022

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

Re: Comments for EPA on Greenhouse Gas Reduction Fund

Dear EFAB Members,

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

About Inclusiv

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

Structure and Eligibility

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

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

Purpose and Goals of Fund

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

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

Financial Assistance and Technical Assistance

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

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

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

Accountability to markets and communities

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

Targeting of low-income and disadvantaged communities

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

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

Sincerely,

Cathleen A. Mahon President\CEO

QQC.Ml

From: <u>Danielle Arigoni</u>

To: <u>EFAB</u>

Cc: ahowe@communityp.com; mary@poua.org; elevin@veic.org; Elisabeth Coats; Mark Kresowik; Srinidhi Sampath

Kumar; tnedwick@nhtinc.org; Leslie Zarker; Ellie White; Mike Henchen; hclark@rmi.org; Stephanie Sosa-Kalter;

Kerry O"Neil

Subject: Input for EFAB from IRA Collaborative (Affordable Housing/EJ/Climate Interests)

Date: Wednesday, November 30, 2022 12:29:39 PM

Attachments: <u>image001.png</u>

EFAB letter from IRA Collaborative Nov 30.pdf

Dear EFAB members,

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

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

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

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

Principles for implementation of IRA

- IRA should be a mechanism to achieve long-term goals of shifting power to local and frontline environmental justice groups and sustaining that shift over time. That can be enhanced by a commitment to capacity building among community-based organizations, creation of high-road jobs, and compensation for resident engagement contributions.
- IRA programs provide a means to advance holistic community solutions. Improved health, greater resilience, and stronger workforce training especially for disproportionately impacted communities are all possible outcomes that can be achieved with careful and thoughtful investment of GGRF and other efforts.

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

Technical assistance

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

Accountability related to IRA implementation

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

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

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

Respectfully,

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



Danielle Arigoni (she/her/hers) Managing Director, Policy and Solutions

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MEMORANDUM

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

FROM: IRA Collaboration Partners

American Council for an Energy-Efficient Economy (ACEEE)

National Housing Trust (NHT)

RMI

Community Preservation Corporation (CPC)
Planning Office for Urban Affairs (POUA)
Vermont Energy Investment Corporation (VEIC)

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National Neighborworks Association

RE: Implementation of Greenhouse Gas Reduction Fund by EPA

DATE: November 30, 2022

Dear EFAB members,

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

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

We believe that **affordable housing remains a paramount opportunity for investment in greenhouse gas reduction** in order to reduce energy burden for low-income tenants, address the share of emissions attributable to housing, advance racial equity by increasing health and wealth of residents, and spur greater market transformation. Therefore, we strongly urge EPA to allocate the vast majority of GHGRF funds to address housing and building retrofits, rather than utility-scale uses. We also acknowledge that the complexity of affordable housing – particularly

multifamily rental housing – is likely to present challenges that must be overcome at the outset if GGRF resources are to most effectively reach their intended beneficiaries.

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

Principles for implementation of IRA

- IRA should be a mechanism to achieve long-term goals of shifting power to local and frontline environmental justice groups and sustaining that shift over time. That can be enhanced by a commitment to capacity building among community-based organizations, creation of high-road jobs, and compensation for resident engagement contributions.
- IRA programs provide a means to advance holistic community solutions. Improved health, greater resilience, and stronger workforce training especially for disproportionately impacted communities are all possible outcomes that can be achieved with careful and thoughtful investment of GGRF and other efforts.
- IRA should not seek to "reinvent the wheel" especially in the case of GGRF which EPA has precious little time to design and launch. Whenever possible, IRA provisions should leverage existing program provisions and requirements already in use by other federal programs. For example, income verification for programs targeting low-income households could use HUD's categorical eligibility to ensure that means-tested programs are used to qualify buildings so that every tenant doesn't need to be individually income-verified.
- IRA programs will need to balance simplicity, flexibility, and equity in order to allow for lower-capacity entities such as affordable housing developers, or smaller Community Development Financial Institutions (CDFIs) to participate. Doing so recognizes that these partners will unlock pathways to more sustained and impactful investment in disadvantaged communities.
- Ensure that GGRF funding can be braided and stacked with other resources, particularly in affordable housing where clean energy, decarbonization, and resilience investments are difficult to finance. GGRF should be designed to be layered with other resources and serve as gap-filler to spur preservation and construction of climate-smart affordable housing.

Technical assistance

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

Accountability related to IRA implementation

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

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

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

Timothy D. Warren, PE

<u>EFAB</u>

Subject: Greenhouse Gas Reduction Fund Charge - Public Comment

Date: Thursday, December 1, 2022 5:08:25 PM

Attachments: image311581.png

I am commenting in support of Greenhouse Gas Reduction Funds being made available for the control of greenhouse gas emissions from wastewater and water facilities. The Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) are ideal mechanisms for administering Greenhouse Gas Reduction Funds. The CWSRF and DWSRF have mechanisms in place to help direct funding to disadvantaged communities to help address environmental justice concerns.

Please feel free to contact me to discuss.



Timothy D. Warren, PE **Financing Specialist**

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

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

Dear EPA Environmental Financial Advisory Board,

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

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

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

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

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

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

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

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

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

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

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

Sincerely,



-Docusigned by:

Now Scientine

Rip Rapson
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From: materialreuse
To: EFAB

Subject: Public Comment for December 1 to EFAB

Date: Public Comment for December 1 to EFAB

Friday, November 25, 2022 3:09:43 PM

November 25, 2022

Public Comment to EFAB

Dear Sir or Madam.

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

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

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

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

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

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

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

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

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

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

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

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

Thank you for this opportunity to contribute.

--

Brad Guy, Architect, NCARB, AIA dba Material Reuse



Opening Doors Changing Lives



December 1, 2022

Michael S. Regan Administrator US 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:

NeighborWorks Housing Solutions appreciates the opportunity to provide comments on the Greenhouse Gas Reduction Fund (GGRF) program design and implementation as requested by the Environmental Protection Agency and published on October 21, 2022. We are pleased at the addition of Section 134 establishing the GGRF grant program to the Clean Air Act and are eager to see the impact of its implementation in our communities.

NeighborWorks Housing Solutions (NHS) is a housing and community development organization that has developed nearly 900 units of affordable housing and has an additional 471 units in the development pipeline. More than 160 of those in the pipeline are multi-family housing units designed to Passive House Institute United States (PHIUS) standards and will proceed in construction to ensure PHIUS certification. NHS currently owns and manages nearly 800 homes and apartments; and provides close to 2,900 rental subsidies across more than 75 communities in southern Massachusetts. We are chartered member of NeighborWorks America. We also offer homelessness prevention services; housing counseling and education; and homeowner and small business lending and technical assistance. We are the regional administering agency for federal and state emergency rental assistance funds for 56 communities across southeastern Massachusetts, assisting tens of thousands of tenants and homeowners over the course of the last two years.

NHS welcomes the GGRF as an unprecedented 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 NHS's commitment to our mission; our belief that health and well-being start with having a safe and affordable home in a stable and opportunity-rich community.

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 prioritize 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. Efforts to begin to decarbonize the affordable residential built environment using the GGRF would have a catalytic effect that would resonate in the construction, maintenance, and operations of affordable residential buildings for years to come. 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. 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; 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.

Very truly yours,

Robert Corley

Chief Executive Officer

cc: Environmental Financial Advisory Board (EFAB)





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



November 30, 2022

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

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

Dear Administrator Regan:

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

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

Section 1: Low-Income and Disadvantaged Communities

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

- emissions. This approach has worked well with the SRFs, such as including more neighborhood-level areas facing economic and environmental challenges within larger metropolitan counties that are overall more prosperous.
- 1. We encourage U.S. EPA to consider definitions of "low-income" or "disadvantaged" that may help states deploy these federal resources into more rural areas, such as Appalachia, where many barriers exist that may not easily be captured in traditional metrics of "low-income" or "disadvantaged." For example, the Appalachian Regional Commission may be a resource to leverage existing classification of counties considered in economic distress, at-risk or transitional as part of the eligible communities that can greatly benefit from this funding.

Section 2: Program Design

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

Section 3: Eligible Projects

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

Section 4: Eligible Recipients:

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

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

Sincerely,

Laurie A. Stevenson Director, Ohio EPA

Lauri a. Stevenson

Christina O'Keeffe Executive Director, OAQDA



Kerry O'Neill, Chair Environmental Financial Advisory Board U.S. Environmental Protection Agency Water Infrastructure and Resiliency Finance Center Office of Water, Office of Wastewater Management 1200 Pennsylvania Avenue, NW (Mail code 4202M) Washington, DC 20460

December 1, 2022

Dear Chairwoman O'Neill:

On behalf of Opportunity Finance Network, I am writing to urge you to work with the nation's extensive network of community development financial institutions (CDFIs) to ensure the Greenhouse Gas Reduction Fund (GHGRF) reaches the low-income and disadvantaged communities that are most impacted by climate change.

OFN is a national network of more than 380 CDFIs. CDFIs are specialized lenders - community development banks, credit unions, loan funds, and venture capital funds – that invest to benefit low-income and low-wealth communities across America. OFN's membership has originated \$91 billion in cumulative financing in urban, rural, and Native communities through 2020.

Official responses to the Request for Information are included as Appendix A below.

CDFIs and the Federal Government: Partners in Advancing Environmental Justice

The Environmental Protection Agency (EPA) has an opportunity to design a GHGRF program that ensures good stewardship of these public funds and creates a significant impact. It is critical that these funds reach targeted communities, because like many other challenges in society, climate change is hurting low-income and underserved communities the most. To achieve the goals of the GHGRF, the providers of these funds must have a track record of serving low-income communities.

The Inflation Reduction Act includes many incentives for clean technologies that will not reach lowand moderate-income communities if they are not paired with an attractive package of support, including no- or low-cost financing and hands-on technical services, through trusted partners.

As mission lenders who are held accountable for reaching underserved markets and have specialized expertise in doing so, CDFIs are ideally positioned to finance projects that reduce greenhouse gas emissions in low-income and disadvantaged communities. Clean energy finance in low-income communities requires specialized lending expertise. Investing in the clean energy technologies needed to reduce emissions is unaffordable and inaccessible for many households and communities – especially those already underserved by traditional finance.

Low-income homeowners seeking financial assistance to purchase upgraded heat pumps or install solar panels will face the same barriers to accessing capital as they do when seeking a mortgage. A corner store owner looking to upgrade their refrigeration system might not have the collateral or cash flow needed to secure a bank loan to invest in that technology. Ensuring that GHGRF capital



reaches low-income and disadvantaged communities requires partnering with financial institutions that already have the trust and relationships on the ground and who have expertise in providing products and services designed for these communities.

The CDFI Model: Investing in Communities Other Lenders Overlook

CDFIs are mission lenders with the networks and relationships needed to deploy capital to low-income, under-resourced, and traditionally marginalized communities. As capillaries of the financial system, CDFIs reflect and understand the communities they serve. There are more than 1,300 Treasury-certified CDFIs investing in all 50 states and financing sectors. Based on a 2021 OFN study, nearly 40% of CDFIs analyzed reported lending in persistent poverty areas. As a condition of maintaining their certification, CDFIs are required to direct at least 60% of their financial products to low-income areas or people in their Target Markets – a threshold most CDFIs easily exceed. Data from the CDFI Fund's 2020 Annual Certification Report found that, on average, loan funds and venture capital funds direct at least 88% of their lending to their Target Markets, and regulated CDFIs direct at least 75% of their lending to their Target Markets.

CDFIs are also experts in the type of place-based investing needed to address localized needs of climate-impacted communities. The overlap between low-income markets and climate-impacted communities intersects with many markets served by CDFIs: flood prone areas like New Orleans' 9th ward, manufactured housing communities impacted by extreme heat in the Southwest, farmworkers and rural communities displaced by wildfires in California, coastal communities of color in Florida and along the Gulf Coast – all communities served by mission lenders working to address the impacts of climate change.

Further, CDFIs are experts at leveraging philanthropic, public, and private capital (at both the project and organizational level) and collaborating with other lending institutions, including: impact investors, community banks, green banks, and other CDFIs. For example, the Treasury Department has found that CDFIs leverage a grant investment 8:1 with private sector investment

¹ Loethen and Fabiani, "Persistent Poverty and the Prevalence of CDFIs", OFN, (2021).

² The CDFI Fund defines an approved target market or eligible market, as one or more investment areas or targeted populations. Investment area refers to a geographic area that meets requirements set forth in Title 12, Section 1805.201(b)(3)(ii)(D), of the Code of Federal Regulations with a significant unmet need for loans, equity investments, or other financial products or services or is wholly located within an Empowerment Zone currently in effect or Enterprise Community (as designated under Section 1391 of the Internal Revenue Code of 1986 [26 U.S.C. 1391]). Target populations consist of individuals from the following populations: Lowincome targeted population is defined as individuals whose family income, adjusted for family size, is not more than (1) for metropolitan areas, 80% of the area median family income in metropolitan areas; and (2) for non-metropolitan areas, the greater of 80% of the area median family income or 80% of the statewide non-metropolitan area median family income. Other targeted populations include African Americans, Hispanics, Native Americans, Native Alaskans residing in Alaska, Native Hawaiians residing in Hawaii, other Pacific Islanders residing in other Pacific Islands, and other groups with CDFI Fund approval.

³ CDFI Annual Certification and Data Collection Report (ACR): A Snapshot for Fiscal Year 2020, Published October 2021. https://www.cdfifund.gov/sites/cdfi/files/2021-10/ACR Public Report Final 10062021 508Compliant v2.pdf



from banks, foundations, and other impact investors.⁴ CDFIs will be able to leverage capital from the GHGRF with other funding, deepening its impact.

Recommendations for Equitable, Targeted Deployment of GHGRF

Centering the needs of low-income and disadvantaged communities in program design will produce better outcomes. CDFIs and mission lenders have demonstrated that they can provide rapid, equitable, and targeted deployment of federal funds to underserved markets better than other lenders, when supportive policies are coupled with adequate capital and capacity-building resources.

If the GHGRF program does not direct funds to lenders who specialize in low-income borrowers, the funds will not reach low-income borrowers in a meaningful way.

We have the following recommendations to ensure program funds reach targeted communities and achieve the GHGRF's stated environmental justice goals:

1. Develop a separate application for the \$8 billion targeted to low-income and disadvantaged communities.

Lending to low-income and disadvantaged communities requires specialized market expertise, and the organizations that receive funds must be experienced in serving them or the GHGRF program risks failing to meet its policy goals. Applicants should be prioritized based on their track record and accountability to low-income and disadvantaged communities. Effective targeting will also require thoughtful program design that allows for additional flexibility in the use of funds to better meet the needs of the communities served, for example by permitting funds to be used as grants for lenders and beneficiaries of the program.

2. Allocate funding to multiple entities.

GHGRF funds should not capitalize a single entity or intermediary. Having multiple recipients will maximize GHGRF's ability to achieve its policy goals because it will allow recipients and their subrecipients to develop customized solutions that truly meet community needs. Concentrating all resources into a single entity will risk excluding the communities targeted in the GHGRF statute. Even concentrating money into existing green banks will only allow for funding in some locations where the policy environment has been favorable to green bank development and will leave out many low-income, climate-impacted communities in places like the Deep South. GHGRF money will not reach low-income and disadvantaged communities unless funding is provided to financial institutions with specialized expertise in serving them.

Further, funding cannot be deployed to CDFIs and other mission lenders only as subrecipients. Direct recipients of GHGRF dollars will be making some of the most important governance decisions about what types of projects are funded, which end users receive funds, and the terms of the capital. It is crucial to the success of the program that governance decisions include accountability to local communities. One of the strengths of CDFIs and other

⁴ 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.



mission lenders is that they operate in all 50 states and can offer diverse financing options, products, and services that meet specific community needs. This in turn allows them to better serve people and places that have historically been disconnected from mainstream financial systems. Allowing for this same type of diversity in the GHGRF program will ensure that funds reach the low-income and disadvantaged communities targeted by statute.

3. Leverage the extensive network of CDFIs to ensure rapid, equitable investment in rural and urban communities across the country.

CDFIs and mission lenders have a successful track record of investing in low-income and disadvantaged communities and are held accountable for serving these communities by virtue of their certification. They are resourceful problem-solvers who provide lending in hard-to-reach communities across all 50 states that traditional financial institutions have failed to serve. In 2020, 807 of the 1,200 CDFIs reported a total of \$111 billion on their organizations' balance sheets across 6.2 million transactions. Of this amount, more than \$81 billion, or 84%, was dedicated to low-income and disadvantaged communities (as defined by the CDFI Fund). CDFIs are also experienced in providing green products: 55% of the nearly 400 CDFIs that are part of the Opportunity Finance Network already have a green lending product. Directing funds toward CDFIs would ensure that GHGRF reaches the low-income and disadvantaged communities targeted in the statute.

4. Use the CDFI Fund Rapid Response Program as a model for providing flexible capital that has firm accountability requirements.

A robust reporting and accountability infrastructure can provide the structure necessary to allow for maximum flexibility at the local level. The <u>CDFI Fund's RRP</u> and Financial and Technical Assistance awards provided flexible capital investments to CDFIs that CDFIs in turn used to catalyze transformative change in low-income and disadvantaged communities. The RRP program provided the conditions for fast, creative approaches that were designed to meet community needs by designing the program to have pre-approved categories for the use of funds and specific benchmarks for lending. CDFIs accomplished this while meeting accountability and outcome tracking standards: all recipients report on every transaction in their portfolio and use of funds. This benchmark, reporting, and accountability regime could easily be used for the GHGRF funds if it was modified slightly to also track carbon emissions and federal funds.

5. Balance speed-to-market with long-term transformation.

Marginalized communities did not become so overnight: many have experienced decades of underinvestment and exclusion. As a result, these communities may not have as many "shovel-ready" projects and service providers as their more affluent counterparts. Low-wealth, rural, and Native communities may require additional time to mobilize and build a pipeline to make certain projects possible. For this reason, an overemphasis on rapid deployment of GHGRF could exacerbate existing environmental justice disparities. At the same time, CDFIs are responsive, nimble entities that can build new products quickly from a foundation of community trust, meeting communities where they are and supporting them in both the planning and execution phases of projects. CDFIs have a proven track record of providing attractive and accessible financial products and services that individual households and small business owners



trust, and this track record will be crucial if GHGRF is to successfully incentivize implementation of new green technologies and products.

Why CDFIs Are the Partner You Need

CDFIs and mission lenders' existing portfolios and relationships can be readily converted to GHGRF lending.

When the Paycheck Protection Program was not reaching businesses most in need of help, the federal government turned to the CDFI industry to ensure PPP and other pandemic relief reached low-income and disadvantaged communities. After policy changes to increase CDFI participation, CDFIs and other mission lenders made at least \$34 billion in PPP loans to small businesses and were more successful at reaching financially underserved businesses than any other type of PPP lender.⁵

CDFIs are poised and ready to play a similar role in implementing GHGRF. Over 96 CDFIs have graduated from Inclusiv and University of New Hampshire's solar lending training program. Among program graduates, CDFIs lent \$2.25 billion in green products in 2021 alone. Over half of CDFIs—211 organizations that are part of the Opportunity Finance Network already have a green lending product. When provided with appropriate capital, CDFIs have created new financing structures and financed complicated projects that the traditional capital markets have not served, including many in the green financing sector (see Appendix B for examples).

CDFIs and mission lenders have a track record of managing public funds with little to no waste, fraud, or abuse.

Since its inception in 1994, the CDFI Fund has provided more than \$5.1 billion in monetary award programs and \$66.0 billion in tax credits through the New Markets Tax Credit Program, and has guaranteed more than \$1.8 billion in bonds through the CDFI Bond Guarantee Program, all to increase the impact of CDFIs and other community development organizations in economically distressed and underserved communities.

CDFIs and mission lenders have a successful track record of leveraging private dollars.

Every dollar injected into a CDFI catalyzes eight to ten more dollars in private-sector investment on both an organizational and project level. Investing \$8 billion directly into CDFIs and mission lenders could leverage an additional \$64 billion in low-income and disadvantaged communities to slow climate change and transform local economies.

Conclusion

Environmental hazards and climate-driven disasters disproportionately impact low-income communities. The federal government needs CDFIs to implement the Greenhouse Gas Reduction Fund successfully in the communities it is designed to serve. Even without direct federal support for clean energy financing, CDFIs have financed businesses and projects that reduce greenhouse gas

⁵ CDFIs Continue to Outperform Other PPP Lenders. https://www.ofn.org/cdfis-continue-outperform-other-ppp-lenders/



emissions and air pollution and are poised to do much more. OFN's network of CDFIs stand ready to partner with EPA to make meaningful progress on reducing greenhouse gas emissions, particularly in the low-income and disadvantaged communities prioritized in the law.

For more information or questions on the recommendations please contact Amber Bell, Chief Strategy and Operations Officer, at abell@ofn.org.

Sincerely,

Beth Lipson

Belt Lym

Interim President & CEO, Opportunity Finance Network



Appendix A: Responses to Individual Questions from the Request for Information

OFN drafted these responses to the EPA's RFI for the Greenhouse Gas Reduction Fund and the Environmental Financial Advisory Board's RFI. Where questions have been duplicated, we have indicated in the section title. Questions with no response have been omitted.

Section 1: Low-Income and Disadvantaged Communities (EPA Questions 1-3 and EFAB Questions I.a.i and I.a.iii)

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 recommend EPA define "low-income and disadvantaged communities" using the established definition of an eligible "Target Market" used by the US Treasury Department's CDFI Fund. These definitions meaningfully capture low-income and underserved communities, including consideration of individual borrower characteristics as well as the communities where borrowers are located. Adopting it would create standardization and lower costs of compliance as thousands of community finance organizations and mission lenders already track and report lending activity according to CDFI Fund Target Market definitions.

The CDFI Fund defines an approved target market or eligible market, as one or more investment areas or targeted populations, which are defined in the following way:

- **Investment area** refers to a geographic area that meets requirements set forth in Title 12, Section 1805.201(b)(3)(ii)(D), of the Code of Federal Regulations with a significant unmet need for loans, equity investments, or other financial products or services or is wholly located within an Empowerment Zone currently in effect or Enterprise Community (as designated under Section 1391 of the Internal Revenue Code of 1986 [26 U.S.C. 1391]).
- **Target populations** consist of individuals from the following populations: Low-income targeted population is defined as individuals whose family income, adjusted for family size, is not more than (1) for metropolitan areas, 80% of the area median family income in metropolitan areas; and (2) for non-metropolitan areas, the greater of 80% of the area median family income or 80% of the statewide non-metropolitan area median family income. Other targeted populations include African Americans, Hispanics, Native Americans, Native Alaskans residing in Alaska, Native Hawaiians residing in Hawaii, other Pacific Islanders residing in other Pacific Islands, and other groups with CDFI Fund approval.

We recommend an expansion of CDFI Fund's definitions to include those communities particularly vulnerable to climate change and environmental hazards, though there will likely be considerable overlap in these target populations, as people of color and those who are low income are disproportionately affected by environmental risks. For example, people of color and those who are low income are more likely to live near landfills, municipal waste



combustors, or hazardous waste sites; to be exposed to lead or asbestos in old, poorly maintained housing; and to be exposed to pesticides in farm fields.

While the White House "Climate and Economic Justice Screening Tool" is helpful in identifying disadvantaged communities as part of the Justice 40 initiative, it is not as inclusive as the definitions refined by the CDFI Fund. If EPA were to choose to define "low-income and disadvantaged communities" as census tracts that are identified in the Climate and Economic Justice Screening Tool as either "low income" or "disadvantaged," about 39% of census tracts in the country would qualify for the targeted GHGRF funding. In terms of population, that's about 35% of the US population. Alternatively, if the EPA were to choose to define "low-income and disadvantaged communities" as census tracts that are identified in one of the CDFI Fund's "investment areas," about 46% of census tracts in the country (including approximately 43% of the US population).

We recommend that the EPA use definitions that are more inclusive of low-income and disadvantaged communities in order to most effectively drive climate-forward financing to a more accurate definition of low-income and disadvantaged communities.

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?

First and foremost, GHGRF grants should facilitate long-term, low-cost financing products delivered through community finance organizations with an established track record in and long-standing relationships with low-income and disadvantaged communities. Long-term, low-cost capital is required to meet the financing needs of low-income and disadvantaged communities. Specifically, this financial assistance might take many forms—financial products⁶, capital reserves, development services, grants, guarantees, and loan loss reserves—and GHGRF should be designed so that grantees have the flexibility to provide any of these services that best fit community needs while remaining accountable to the parameters of the law.

Many low-income and disadvantaged communities distrust clean energy projects, and on the ground technical assistance will play a key role in implementing GHGRF grants in these communities. CDFIs offer the track record of trust in working with low-income communities needed to effectively allocate these grants to prioritized communities. Technical assistance to support CDFIs in this role may include funding for personnel compensation and fringe benefits, professional services costs, travel costs, training and education costs, and equipment and supplies.

⁶ Financial products are considered loans, equity investments and similar financing activities that reduce greenhouse gas activities (as determined by the EPA) including the purchase of loans, the provision of loan guarantees, credit enhancements, and loans other financial institutions.



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?

To support and/or prioritize funding to businesses owned or led by members of low-income or disadvantaged communities, GHGRF should create a set-aside for community finance organizations (e.g., CDFIs) with a demonstrated track record and pipeline of lending to these priority businesses. CDFIs have this demonstrated track record: they deliver the majority of their lending to borrowers from targeted, historically underserved groups such as low-income or minority borrowers. Within OFN's membership base, CDFIs report that 60% of their clients identify as people of color. The long-term results of OFN members' financing activities through FY 2020 are significant, with CDFIs in our sample providing \$91.2 billion in cumulative financing. This financing has helped to create or maintain 2.19 million jobs, start or expand 535,547 businesses and microenterprises, and support the development or rehabilitation of more than 2.23 million housing units and 13, 266 community facility projects.⁷

For an example of why a set-aside for community finance organizations is important, we need only look back a few years to the start of the COVID-19 pandemic. At the time it was created, the Paycheck Protection Program (PPP) relied heavily on businesses' existing relationships with mainstream financial institutions, and this is one reason why PPP funds ended up disproportionately benefiting high-income households despite their intended policy goals.⁸

In creating PPP, policymakers failed to take into consideration that disadvantaged, very small, women- and minority-led businesses often do not have relationships with a traditional lender. Research from the Federal Reserve has found that less than one quarter of Blackowned employer firms have a recent borrowing relationship with a bank, and for Blackowned firms with no paid employees (also called nonemployee businesses), only 1 in 10 have had a recent borrowing relationship. It wasn't until the enormous disparities in who received PPP loans came to light that PPP was adjusted to accommodate more non-bank lenders, including CDFIs.

Overall, CDFI lenders were much more successful at reaching the smallest, community-based businesses and businesses located in low-income communities, because the implementation mechanism for the program did not take into account the needs of the community it sought to reach. A similar risk is inherent in the GHGRF, which is explicitly targeted to low-income and disadvantaged communities but may not reach them if CDFIs and other mission lenders are not provided an analogous set-aside in the GHGRF.

Allowing GHGRF funds to be used for technical assistance will be a key component of successful outreach to target communities. Such technical assistance could take the form of language translation, community outreach materials, training, assessments to determine energy efficiency needs, and capacity building such as creation of best practice networks

⁷ https://cdn.ofn.org/uploads/2022/04/14153742/OFN Inside The Membership FY2020.pdf

⁸ https://www.nber.org/papers/w29669



that can share successful strategies for reaching target communities and making financial products and services attractive and accessible to them.

Section 2: Program Design (EPA Questions 1-11 and EFAB Questions I.b.i and I.b.ii)

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)?

The EPA should drive grants to community finance organizations with demonstrated track records in using a grant from a government agency to mobilize additional private funding. For every \$1 in awards provided by the Treasury Department, CDFIs are able to mobilize enough private-sector leverage to generate \$8 to \$10 in lending activity. CDFIs and community finance organizations are adept and well-practiced in using grants from government agencies to attract and mobilize private sector funding at the project and organizational levels. The GHGRF should consider leverage at the project and organizational level, but be more flexible with the leverage requirements for the funds targeted to low-income and disadvantaged communities.

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)?

To ensure GHGRF grants facilitate additionality, the resulting financial products and services should be characterized by their flexible financing terms, including:

- Longer loan financing (longer tenor and/or longer grace period) than are available in the market;
- Early-stage financing (predevelopment, acquisition, bridge);
- More flexible terms (amortization schedule, interest rate) than available in the market;
- Subordinated/mezzanine positions;
- General recourse financing/no collateral required;
- Flexible participation arrangements;
- No committed take-out; and
- Project waives guarantee from one or more principals.

Similar financing is defined as having similar terms, specifically: term, interest rate, amortization, collateral requirements, level of subordination, draw schedule, maximum loan amount, or other relevant terms.



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?

EPA should award grants to CDFIs and community finance organizations to manage revolving loan funds specializing in green financing products. For instance, the program can be designed so that the EPA restricts the GHGRF capital to be used and recycled for the greenhouse reduction activities on a revolving basis as loans are repaid. When the initial loan is repaid, recipients and subrecipients recirculate the loan into the local community for another borrower. Any interest margins are reinvested in the community or used to build sustainable operations. The DC Affordable Housing Preservation Fund is an example of how the EPA can design the program. ⁹

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?

EPA should award grants to CDFIs with specialized expertise in using grants from government agencies to facilitate broad private market formation for projects in low-income communities.

Facilitating private market capital formation in communities considered "unbankable" has been the historical pattern of CDFI lending activity. CDFIs enter a market that mainstream finance overlooks or underestimates (or considers too risky) and demonstrate that the particular market is viable and bankable. Once proven, mainstream finance steps in and starts lending to customers previously served by first-mover CDFIs. CDFIs have demonstrated this by leading the market creation of charter school lending in low-income communities¹⁰ and community healthcare facility financing.¹¹ With both of these industries, mainstream financial institutions stepped in to support and expand the financial products and services that CDFIs jumpstarted.

CDFIs' track record in proving markets previously considered "unbankable" is due to their ongoing work with government programs designed to drive affordable capital to low-income and disadvantaged communities.

⁹

https://dhcd.dc.gov/sites/default/files/dc/sites/dhcd/publication/attachments/housing%20Preservation%20Fund%20manager%20full%20RFA%202019.pdf

¹⁰ "Charter School Facilities Finance: How CDFIs Created the Market, and How to Stimulate Future Growth" https://www.frbsf.org/community-development/wp-content/uploads/sites/3/wp08-021.pdf

¹¹ "CDFIs emerge as key partners in improving community health" https://www.minneapolisfed.org/article/2014/cdfis-emerge-as-key-partners-in-improving-community-health



- 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 streamline reporting requirements to leverage pre-existing definitions and data methodology.** The more intricate the reporting requirements, the more burdensome and costly for the applicants, grantees, and subrecipients. If more robust reporting systems are required than those that already exist, grants should be available to fund operational expansions. For instance, if the EPA creates an industry standard for greenhouse gas reduction reporting in low-income communities, community finance organizations and CDFIs should receive grant funding to operationalize the data reporting requirements.
- 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?

EPA should consider several federal grant program design elements from CDFI Fund's Rapid Response Program, which was designed to quickly and broadly deploy capital to Certified CDFIs through streamlined applications and evaluation methodology. Such design elements would include:

- General design elements:
 - Provide affordable financial packages combined with hands on technical support provided by trusted local institutions.
 - Provide institution-level capital instead of project-based finance. In the Rapid Response Program, this allowed CDFIs to respond immediately to the needs of underserved communities during COVID-19.
 - Avoid overly restrictive measures that prevent organizations from deploying funds.
 - Do not require a match to access funds. A match would be an unnecessary barrier to access for many in the communities served.
 - Do not use tax credits or rebates to incentivize behavior of consumers who are low-income. These strategies often fail to meet low-income communities because individuals in these communities:
 - 1) tend not to have a high tax burden;
 - 2) Do not receive the market education or outreach needed to understand that that credits or rebates are available and/or outreach is not presented in a culturally competent way that will lead to changes in behavior or interest in beneficial financial services; and
 - 3) it is often not a top priority of a family or individual when other challenges abound and/or they are unable to wait until they file taxes to receive the credit or rebate.
- Accountability and reporting design elements:
 - Use CDFI Funds' Transaction Level Reporting to ensure that GHGRF dollars are serving low-income and disadvantaged communities as intended.



- Build on CDFI Fund reporting by layering carbon emissions reduction information onto Transaction Level Reporting.
- 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?

CDFIs have a long history of collaborating with Federal, state, and local public programs, including those designed for reducing greenhouse gas emissions. We recommend the EPA consider how state and local government programs are available to complement green financing products in low-income communities. A comprehensive list can be sorted through the Database of State Incentives for Renewables & Efficiency on https://www.dsireusa.org/.

We would also recommend coordination with Federal programs like the CDFI Bond Guarantee Program, USDA Community Facilities Guaranteed Loan Program, and Department of Energy Weatherization Assistance Program for Low-Income Persons.

Section 3: Eligible Projects (EPA Questions 1-3 and EFAB Questions II.b.i, II.b.ii.4, II.b.iii)

- 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.

The quickest way to ensure that the Greenhouse Gas Reduction Fund reaches lowand moderate-income communities to reduce their household energy costs, improve their air quality and health, and mitigate climate change is to leverage existing infrastructure and allow community lenders to provide a mix of grants and affordable capital products to low-income and disadvantaged communities.

Qualified projects should include loan portfolios managed by CDFIs and other community finance organizations that offer green financing products as part of



their small business loans, consumer loans, solar development loans, and affordable housing loans.

The path to the fastest, most equitable impact of the Greenhouse Gas Reduction Fund will come by matching the broad and deep capacity of the community finance industry with tailored, targeted demand generation at the local level. Doing this will require a coordinated strategy that can support this broad network with the right mix of capacity building, technical support, credit enhancement, and low-cost capital. Strong existing networks and intermediaries exist across the entire community finance sector, which will allow for rapid mobilization of new products and the sharing of best practices across the entire field.

In other words, GHGRF funds should not capitalize a single entity, intermediary, or revolving loan fund. Having multiple recipients increases the government's ability to achieve its policy goals and allows lenders to develop customized solutions to meet their community's needs. Further, unless GHGRF deployment is diversified through multiple lending industries with multiple product and deployment strategies, there is real risk of under-deployment.

To maximize greenhouse gas emission and air pollution reductions:

EPA should prioritize projects that improve the affordability of individual decisions to reduce greenhouse gas and air pollution. Improved affordability should apply to low-income and disadvantaged communities in a culturally-relevant manner. For example, tax credits and rebates should be avoided, as these often fail to reach low-income communities where many do not have a high tax burden to begin with and because community members do not receive sufficient or effective outreach and education to take advantage of them.

To deliver benefits to low-income and disadvantaged communities: Community finance organizations and CDFIs are designed to drive affordable capital to low-income and disadvantaged communities and have experience providing outreach and financial services and products that benefit their consumers in these communities.

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 Greenhouse Gas Reduction Fund 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 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 community finance organization that the family already knows and trusts with other financial products.

Similarly, the Whole Home Energy Reduction 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 includes both the value of the rebate as well as the value of ongoing energy savings with a guarantee not to increase (and likely decrease) the family's monthly payments. Some of the funds could also provide added incentives for the contractor to ensure they focus on providing services in low-to moderate-income communities.

To enable investment in projects that would otherwise lack access to capital or financing:

We urge EPA to consider how consistent funding to small scale projects can result in a greater impact. Distributing funds through a network of lenders like CDFIs means smaller projects will receive consideration. As the Carsey Institute notes in the context of small-scale solar projects, "A variety of obstacles contribute to the scarcity of financing for low-income solar, including small project sizes, lack of developer balance sheet capacity, both real and perceived issues with credit risk, elevated technical assistance needs, and greater subsidy requirements to pursue goals such as deep energy affordability, climate resilience, or job creation." It is also important to balance deployment speed with deep community impact. Deploying this capital in a way that funds projects and builds CDFI capacity will result in the sustained investments needed to combat greenhouse gas emissions.

Many CDFIs already offer green lending products: almost 200 or 55% of CDFIs that are part of the Opportunity Finance Network already offer at least one green lending product in the following sectors: commercial building, residential, multi-family, community scale solar, flexible products, and transportation. All of the products below can be also be adapted to support the adoption of clean technologies at the household level with the help of low-cost capital, technical assistance, credit enhancement, and grants from the GHGRF.

Qualified projects should include fund-of-funds managed by CDFIs and financial intermediaries with the following look-through asset classes:

Small business loans

- Existing Product: Secured small business loan for building renovations or upgrades
 - Green products(s):
 - Secured loans for energy efficiency and renewable energy upgrades for business properties
 - Small scale C-PACE loans where C-PACE is enabled, bringing attractive financing to a broader set of commercial and industrial buildings
- Existing Product: equipment financing
 - Green product(s):
 - Equipment financing for EV or more fuel-efficient long-haul trucks
 - Equipment financing for more efficient or renewable industrial equipment
- Existing Product: agricultural financing



- Green product(s):
 - Working capital loans to finance the adaptation of sustainable farming practices
 - Purchase of additional farmland to expand regenerative agriculture

Consumer loans

- Existing Product: unsecured consumer loans for home upgrade or repair
 - Green product(s):
 - Unsecured consumer loans for home upgrades, including heat pump installation, electric water heaters, and other energy efficiency upgrades
 - Unsecured consumer loans for more efficient and/or smart home appliances
- Existing Product: Secured auto loans to purchase new or used vehicles
 - o Green product(s):
 - Secured auto loans for new or used electric vehicles
- Existing Product: home mortgages
 - o Green product(s):
 - "Green" mortgages that provide pricing incentives for homes purchased that meet certain low-carbon standards

Housing and facility loans

- Existing Product: pre-development and acquisition financing
 - Green products(s):
 - Pre-development and acquisition financing to support new construction or preservation of affordable housing with pricing incentives to develop to net-zero or near net-zero standards
- Existing Product: Construction financing for new construction or substantial renovation
 - Green product(s)
 - Loans to support new construction or substantial renovation of affordable housing buildings with pricing Existing Product: home mortgages
- Existing Product: Permanent financing for buildings
 - Green product(s):
 - "Green" mortgages that provide pricing incentives for buildings that agree to meet certain net-zero or near net-zero standards and commit to ongoing improvements to lower emissions

Solar development

- Construction to permanent financing for solar development with pricing scale dependent on income levels of subscribers
- LMI revenue guaranty to guaranty payments of LMI subscribers for a period of time while payment risk is uncertain



 Pre-development equity and/or loans to solar developers for project preparation with a focus on projects with a significant portion of LMI subscribers

To recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability:

By driving capital to CDFIs and community finance organizations, the GHGRF grants would capitalize a nation-wide network of revolving loan funds designed to recycle repayments and other revenue received from the initial grant funds.

Revolving loan funds are self-replenishing pools of money, utilizing interest and principal payments on old loans to issue new ones. Establishing a revolving loan fund provides access to a flexible source of capital (like the GHGRF grants) that can be combined with and levered to mobilize more conventional sources of financing. Often, revolving loan funds serve as a bridge between the amount the low-income borrower can obtain on the private market and the amount needed to start or sustain a new project, business, or environmental rehabilitation.

Initial funding, or capitalization, of a revolving loan fund usually comes from a combination of public sources, such as the local, state, and federal governments, and private ones like financial institutions and philanthropic organizations. Initial funding is typically grant funding.

To facilitate increased private sector investment:

The EPA should drive the grants to community finance organizations with demonstrated track records in using a grant from a government agency to mobilize additional private funding. For instance, for every \$1 in awards provided by the Treasury Department, CDFIs can mobilize enough private-sector leverage (on both the organizational and project level) to generate \$8-10 in lending activity. CDFIs and community finance organizations are adept and well-practiced in using grants from government agencies to attract and mobilize private sector funding.

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.

We recommend that the EPA ensure that the GHGRF capital is flexible in its use and tools available and should define financial assistance broadly. Financial assistance should take many forms—financial products, capital reserves, development services, grants (including cash incentives), guarantees, and loan loss reserves—and GHGRF should be designed so that grantees have the flexibility to provide any of these services that best fit community needs while remaining accountable to the parameters of the law.

Financial products should be defined as loans, equity investments, and similar financing activities that reduce greenhouse gas activities (as determined by the EPA) including the



purchase of loans, the provision of loan guarantees, credit enhancements, and loans from other financial institutions.

Flexibility allows lenders to be market responsive and serve customers with different needs in different geographies. Lenders should have flexibility in how to allocate funding between fully repayable loans, forgivable loans, credit enhancements, and grants.

Low-income communities require technical assistance AND low-cost funding to implement greenhouse gas-reducing projects successfully.

Businesses and residents of low-income communities are more likely to have limited cash reserves and will need attractive incentives that reduce the cost of switching to climate-friendly options. For example, providing subsidies to end customers to reduce the cost of purchasing electric vehicles, switching to electric heat, upgrading refrigeration systems, etc. Or, if loans are used, low-cost financing should be provided for the same types of upgrades and climate-friendly purchasing.

Another form of financial assistance that GHGRF could provide would be funding energy audits as part of predevelopment financing, which can help determine which investments in greenhouse gas reducing technology will have the greatest impact or can lead to long-term savings.

GHGRF should also consider allowing funding to be used for energy adjacent measures that would benefit low-income and underserved communities. For example, health and safety remediation and other capital improvements that enable energy improvements like replacing roofs to enable solar, removal of mold and asbestos, or electrical system upgrades. These projects may not traditionally be considered greenhouse gas reduction efforts, but it is often a co-benefit.

For this reason, we also recommend that the EPA think holistically about resiliency improvements, especially as they pertain to home improvements. A homeowner or landlord working on a relatively small property may have to navigate separate financing options for roof repair, mold abatement, adding solar panels, etc. even if these upgrades are all part of one combined project to modernize a building's roof. It would be better if there was flexibility built into GHGRF so that it is easier to build or renovate safe and healthy 21st century homes or buildings that are climate efficient.

3. Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

Low-income communities require technical assistance AND low-cost funding to implement greenhouse gas-reducing projects successfully.

Examples of technical assistance can include:



- Additional training, templates, and resources for CDFIs and community finance organizations seeking to expand their green financing product line.
- Research and development capital to further study and promote community climate
 resiliency projects. For example, CDFIs are currently fielding interest from land trusts
 and other groups interested in developing climate resilient projects in their
 communities, such as community solar or storm store credits for water retention.
- Technical assistance for carbon accounting and GHGRF reporting. The CDFI industry
 and its borrowers will need technical assistance on how to track and report carbon
 emissions. We recommend the EPA set outcomes, allow technical assistance with
 standardized carbon accounting, and prioritizing reducing carbon emissions while
 allowing CDFIs to do what they do best reaching low-income and disadvantaged
 communities.
- Education for GHGRF contractors. Low-income and disadvantaged communities do not have the same depth of project-ready contractors as are available in higher wealth communities. Without contractors, they cannot complete energy efficiency and climate resiliency projects. With technical assistance funding, CDFIs can support training for vetting, quality assurance, and training processes to build contractor capacity in these communities. When considering contractor cultivation, the funds should be allowed to help suitable contractors scale their businesses in order to provide the desired services, particularly minority-owned businesses. Anticipate that cultivating, vetting, and training contractor networks for deployment will require significant investment, as well as evaluation, measurement, and verification. The development of these contractors in disadvantaged communities also needs to keep consumer protections front of mind to prevent price gouging and predatory pricing.

Section 4: Eligible Recipients (EPA Questions 1-5 and EFAB Questions II.a.i and II.a.ii)

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.

CDFIs and community finance organizations should be both eligible entities and/or indirect recipients under the GHGRF. These community finance organizations provide financial products and services that are (a) driving the reduction of greenhouse gas emissions in low- and moderate-income communities or (b) could be quickly adapted to drive the reduction of greenhouse gas emissions in low- and moderate-income communities.

CDFIs are mission lenders with the networks and relationships needed to deploy capital to low-income, under-resourced, and traditionally marginalized communities. As capillaries of the financial system, CDFIs reflect and understand the communities they serve. There are more than 1,300 Treasury-certified CDFIs investing in all 50 states and financing sectors with nearly 40% of CDFI lending in persistent poverty areas. ¹² As a condition of maintaining

¹² Loethen and Fabiani, "Persistent Poverty and the Prevalence of CDFIs", OFN, (2021).



their certification, CDFIs are required to direct at least 60% of their financial products to low-income areas or people in their Target Markets - a threshold most CDFIs easily exceed. 13 From 2009 to 2020, CDFI Recipients of the CDFI Program Award reported originating \$127.8 billion (13.6 million) in total loans/investments.¹⁴

- CDFIs lend to low-income and disadvantaged communities: Data from the CDFI Fund's 2020 Annual Certification Report found that on average loan funds and venture capital funds direct at least 88% of their lending to their Target Markets, and regulated CDFIs direct at least 75% of their lending to their Target Markets. 15
- CDFIs lend across all 50 states: In FY 2020, CDFIs that reported Transaction Level Report (TLR) data reported lending in states ranged from \$3.49 million in North Dakota to \$3.245 billion in Mississippi. The average state-level lending volume was \$510 million.¹⁶
- CDFIs lend across rural and urban areas: In FY 2020, CDFIs lending activity was \$5.19 billion in rural areas and \$20.86 billion in urban areas. 17

CDFIs are also experts in the type of place-based investing needed to address localized needs of climate-impacted communities. The overlap between low-income markets and climate-impacted communities intersects with many markets served by CDFIs: flood prone areas like New Orleans 9th ward, manufactured housing communities impacted by extreme heat in the Southwest, farmworkers and rural communities displaced by wildfires in

¹³ The CDFI Fund defines an approved target market or eligible market, as one or more investment areas or targeted populations. Investment area refers to a geographic area that meets requirements set forth in Title 12, Section 1805.201(b)(3)(ii)(D), of the Code of Federal Regulations with a significant unmet need for loans, equity investments, or other financial products or services or is wholly located within an Empowerment Zone currently in effect or Enterprise Community (as designated under Section 1391 of the Internal Revenue Code of 1986 [26 U.S.C. 1391]). Target populations consist of individuals from the following populations: Lowincome targeted population is defined as individuals whose family income, adjusted for family size, is not more than (1) for metropolitan areas, 80% of the area median family income in metropolitan areas; and (2) for non-metropolitan areas, the greater of 80% of the area median family income or 80% of the statewide nonmetropolitan area median family income. Other targeted populations include African Americans, Hispanics, Native Americans, Native Alaskans residing in Alaska, Native Hawaiians residing in Hawaii, other Pacific Islanders residing in other Pacific Islands, and other groups with CDFI Fund approval.

¹⁴ Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2021 and 2020 Ahttps://www.cdfifund.gov/sites/cdfi/files/2021-12/FY2021 Agency Financial Report.pdf

¹⁵ CDFI Annual Certification and Data Collection Report (ACR): A Snapshot for Fiscal Year 2020, Published October 2021. https://www.cdfifund.gov/sites/cdfi/files/2021-10/ACR Public Report Final 10062021 508Compliant v2.pdf

¹⁶ OFN, 2022, CDFI Fund Transaction Level Report (TLR) Database, 2022. Every year, OFN requests deidentified transactional level data from the CDFI Fund. The TLR includes loan level data submitted by certified CDFIs. OFN analyzes and aggregates the loan level data to shed light on CDFI activities outcomes at different geographies (e.g., national, by state, by congressional district) and over time.

¹⁷ OFN, 2022, CDFI Fund Transaction Level Report (TLR) Database, 2022.



California, coastal communities of color in Florida and along the Gulf Coast – all communities served by mission lenders working to address the impacts of climate change.

Further, CDFIs are experts at leveraging philanthropic, public, and private capital (at both the organizational and project level) and collaborating with other lending institutions including impact investors, community banks, green banks, and other CDFIs. For example, the Treasury Department has found that CDFIs leverage a grant investment 8-10x with private sector investment from banks, foundations, and other impact investors. ¹⁸ CDFIs will be able to leverage capital from the GHGRF with other funding on both the organizational and project level to deepen its impact.

In addition to the benefits of the on-the-ground capacity of the existing community finance industry, these organizations also have experience taking, leveraging, and reporting on government funds for the benefit of low- and moderate-income communities. It is paramount for the GHGRF capital to have maximum flexibility. If funds come with too many strings attached it will greatly hinder deployment, particularly fast deployment. The EPA should hold firm to its primary goal of reducing greenhouse gases and allow lenders in the program to determine how to use that capital to create and enhance products to reach it. For example, the EPA should set the program goals and benchmarks and eligible use of funds and let the recipients/subrecipients create the lending products to meet the objectives. The CDFI Fund's Rapid Response Program is a good example of a federal program designed to have these criteria.

Many CDFIs have been lending in their communities for more than thirty years and have developed deep trust and relationships in the communities they serve, and in addition to capital, they provide a wrap-around service model, coupling training and one-on-one technical assistance to their clients to support borrower success.

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?

The EPA should focus on designing a program for intermediary applicants to maximize the reach and flexibly of the GHGRF. Intermediaries can have the flexibility to allocate and reallocate funds as needed based on programmatic objectives and measures.

All applicants should demonstrate experience with federal 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; and systems available to track and report.

¹⁸ 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.



At a minimum, intermediary applicants should have transparent and reliable standards that govern how they function – even if they don't have standards that currently extend to clean energy technologies – so that EPA can rely on key guardrails. These standards might include: clear governance, transparency in reporting, adherence to accounting principles, prudent lending, underwriting standards, and reserving requirements. Further, if an applicant are applying as an intermediary, it should be able to demonstrate long-standing relationships within the industry they are representing and a clear-down streaming strategy and methodology.

Applicants should also be able to demonstrate that their staff and board have experience: receiving and managing federal funds, working with low-income and disadvantaged populations, developing and designing inclusive financial products, and providing technical assistance services.

CDFIs will enable GHGRF grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities.

Please refer to Section 4, Question 1 above for greater detail on how CDFIs specialize in driving affordable capital to low-income and/or disadvantaged communities.

As mission lenders with specialized expertise in reaching underserved markets, CDFIs are ideally positioned to finance projects that reduce greenhouse gas emissions. Clean energy finance in low-income communities requires specialized lending expertise. Investing in the clean energy technologies needed to reduce emissions is unaffordable for many households and communities – especially those already underserved by traditional finance.

Low-income homeowners seeking financial assistance to purchase upgraded heat pumps or install solar panels will face the same barriers to accessing capital as they do when seeking a mortgage. A corner store owner looking to upgrade their refrigeration system might not have the collateral or cash flow needed to secure a bank loan to invest in that technology. Ensuring that GHGRF capital reaches low-income and disadvantaged communities requires partnering with financial institutions that already have the trust and relationships on the ground.

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?

CDFIs have an existing infrastructure and a track record of serving and building trust in low-income communities, which no new entity can provide. What's more, 211 or 55% of CDFIs that are part of the Opportunity Finance Network already have a green lending product. CDFIs can easily expand these options through 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.

CDFIs can deliver rapid and targeted deployment of federal funds to underserved markets when supportive policy changes are coupled with adequate capital and capacity building resources. Please refer to Section 4, Question 1 above for greater detail on how CDFIs specialize in driving affordable capital to low-income and/or disadvantaged communities, areas where capacity to finance and deploy greenhouse gas and air pollution reducing projects does not currently exist.

CDFIs are also experts in the type of place-based investing needed to address localized needs of climate-impacted communities. The overlap between low-income markets and climate-impacted communities intersects with many markets served by CDFIs: flood prone areas like New Orleans 9th ward, manufactured housing communities impacted by extreme heat in the Southwest, farmworkers and rural communities displaced by wildfires in California, coastal communities of color in Florida and along the Gulf Coast – all communities served by mission lenders working to address the impacts of climate change.

Further, CDFIs are experts at leveraging philanthropic, public, and private capital and collaborating with other lending institutions including impact investors, community banks, green banks, and other CDFIs. For example, the Treasury Department has found that CDFIs leverage a grant investment 8:1 with private sector investment from banks, foundations, and other impact investors. CDFIs will be able to leverage capital from the GHGRF with other funding at the organizational and project level to deepen its impact.

4. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

To best achieve its goals, the EPA should not allow new entities when there is an existing infrastructure of CDFIs and mission lenders ready and able to implement GHGRF. Instead, we recommend that the EPA build capacity and support the growth of CDFIs and mission lenders to provide products and services that will reduce greenhouse gas emissions.

If the EPA does decide to allow a new entity, we recommend the EPA consider requiring standardized investment decision-making criteria and impact reporting for new entities without a track record. The EPA may also consider creating a certification for qualified lenders of green financing products. While creativity and innovation are goals of the GHGRF, it is important that the EPA have measures in place to prevent waste, fraud, and poor governance.

Section 5: Oversight and Reporting (EPA Questions 1-4 and EFAB Questions III.b and III.c)

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?

We recommend the EPA consider the governance structures, reporting requirements, and audit requirements utilized by the CDFI Fund. Requirements to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities include organizational compliance (e.g., financial audits and . single audits) and project compliance (transaction level compliance on volume and impact of projects).

For project compliance, the EPA may consider how CDFIs already submit transaction level data with particular impact data measurements that could be expanded to collect information about green lending activity. The EPA could lever the whole Transaction Level Reporting collection system to expand into data collection on green financing products.

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?

We affirm the EPA's recommendation to consider the CDFI Fund's Target Market Accountability criteria. Due to the critical importance of ensuring sufficient regional and geographic insight and perspectives, as well as maintaining the agility of insight on emerging technology and other climate-relevant innovations, we recommend that the EPA consider the creation of Advisory Board structures aligned to the Governing Board with specific representation objectives to bring current insights, inputs, and expertise to the Board and Management, as needed.

Section 6: General Comments

1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

Environmental hazards and climate-driven disasters disproportionately impact low-income communities. The federal government needs CDFIs to implement the Greenhouse Gas Reduction Fund successfully in the communities it is designed to serve. Even without direct federal support for clean energy financing, CDFIs have financed businesses and projects that reduce greenhouse gas emissions and air pollution and are poised to do much more. OFN's network of CDFIs stand ready to partner with EPA to make meaningful progress on reducing greenhouse gas emissions, particularly in the low-income and disadvantaged communities prioritized in the law.



Appendix B: Examples of CDFI Green Lending

<u>Bluehub Capital</u>, based in **Boston, MA** created an electric vehicle (EV) pilot program using vehicle-to-grid (V2G) technology to lower the costs and increase the reliability of a car for low-income households, identify barriers to low-income household adoption of EVs, and recommend policy changes and business initiatives that enable low-income households to transition from gas to EVs.

<u>Capital Good Fund</u>, based in **Providence**, **RI** is planning to expand their <u>DoubleGreen</u> loan program for energy-efficiency upgrades. Designed to serve the needs of moderate-to-middle income homeowners with less-than-perfect-credit, the loans serve to upgrade wall insulation, duct sealing, high-efficiency heating & cooling equipment to make your home more energy-efficient and safe. The fund is currently serving Rhode Island, Florida, Massachusetts, Delaware, Illinois, and Texas with hopes of expansion.

<u>Cincinnati Development Fund</u>, based in <u>Cincinnati</u>, <u>OH</u>, created the Affordable Energy Fund, targeting developer-borrowers who are creating affordable, multi-family housing in the high-poverty neighborhoods CDFIs serve. The Affordable Energy Fund provides low-cost mezzanine debt as an incentive for developers to identify energy-efficiency solutions and ensure proper implementation, while preventing the creation of a financial barrier for people who are low-income through the added cost of energy-efficient systems.

<u>City First Enterprise</u>, based in **Washington**, **DC** is launching the <u>Small Business Renewable and Energy Efficient Fund</u> (REEF) in partnership with Montgomery County, MD's Green Bank. In the first phase, the organizations will provide a \$650,000 loan fund of secured and unsecured debt to Montgomery County-based small businesses to accelerate energy efficiency and clean energy.

<u>Community Loan Fund of the Capital Region</u>, based in **Albany, NY** is supporting affordable housing developers moving into the economically distressed neighborhoods of Arbor Hill and Sheridan Hollow to build out green infrastructure. They also help nonprofits who serve residents in those communities make energy updates to their buildings providing cost savings to their limited budgets. All funds are combined with sustainability education for new and existing residents.

Kentucky Highlands Investment Corporation, based in London, KY, makes loans to small businesses for energy efficiency improvements and retrofits so they can reduce operating costs to remain competitive. KHIC has a program that combines energy projects with the USDA's Rural Energy for America Program (REAP) loan and grant program to a achieve a 3:1 leverage. Only agricultural producers and rural small businesses are eligible to apply for REAP funds. REAP is a competitive renewable energy and energy efficiency improvement reimbursement program that makes grants up to 25% and loan guarantees up to 75% of eligible costs.

Neighborhood Housing Services of South Florida, based in **Miami, FL** is expanding their operations to provide innovative solutions to communities facing an affordable housing crisis and residential as well as business displacement due to climate change, natural disasters, gentrification, and unexpected economic hardships, such as a pandemic.



New Jersey Community Capital, based in New Brunswick, NJ finances projects that upgrade and improve energy efficiency of housing units and other facilities and may lead to LEED certification. Through their Healthy Communities Fund, they provided the financial resources and development expertise to drive the construction of safe, affordable, stable, and environmentally sound housing opportunities in an effort to realize better health outcomes in distressed neighborhoods.

Northeast South Dakota Economic Corporation, based in **Sisseton, SD** will use the grant to educate and provide lending for upgrading or purchasing new energy-efficient products to business loan customers. Providing education to customers on energy-efficient products that will enhance small businesses and lower operating costs.

<u>Opportunities Credit Union</u>, based in **Winooski, VT,** created a loan program for energy-efficient home appliances with affordable monthly payments for low-income homeowners in Vermont.

<u>Rural Community Assistance Corporation</u>, based in **West Sacramento, CA**, created the <u>Biomass Utilization Fund</u> (BUF), a pilot lending program designed to reduce wildfire risk by using low-value forest wood (biomass) to generate sustainable energy and employment for low-to-moderate-income (LMI) rural Californians.

The National Housing Trust Community Development Fund, based in Washington, DC will use the grant to support the Energy Efficiency for All (EEFA), a collaborative that brings together state and local groups from across the country to help increase energy efficiency investment in multifamily housing.

<u>Triple Bottom Line</u>, based in **Lakewood**, **Colorado** will use the grant to expand and create a loan loss reserve for their work in providing technical assistance and financing for energy efficiency and renewable energy improvements in multifamily affordable housing properties serving low-income residents.

<u>Virginia Community Capital</u>, based in **Richmond**, **VA** operates a <u>Clean Energy Lending</u> program by providing solar loans for direct ownership, to small businesses and for third party ownership using power purchase agreements (PPAs) for nonprofits. Virginia Community Capital is also looking to expand this program geographically, and lend in contiguous states (North Carolina, Tennessee, Kentucky, West Virginia, Maryland, and Washington DC).

 From:
 Nicole Tai

 To:
 EFAB

Subject: IRA EPA GGRF written statement

Date: Saturday, November 26, 2022 12:56:59 AM

To: U.S. Environmental Protection Agency

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

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

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

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

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

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

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

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

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

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Chair, Reuse Alliance



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

November 23, 2022

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

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

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

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

Specifically, EPA should:

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

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

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

Sincerely,

Rewiring America

1. Prohibit the use of funds for fossil fuel projects

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

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

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

2. Prioritize building electrification projects

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

The opportunity and challenge:

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

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

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

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

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

The solution:

The GHGRF can spur widespread, sustained market transformation by confronting the challenges and seizing the opportunities associated with building electrification.

Specifically, the GHGRF should be used to enable and leverage other funding streams — including private capital and federal/other incentives — by reducing barriers to electrification and lowering the financed cost of projects.

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

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

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

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

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

Financial assistance:

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

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

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

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

Technical assistance:

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

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

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

4. Broadly interpret "continued operability"

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

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

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

5. Consider initial funding

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

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



November 22, 2022

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

Re: Technical Assistance and the Greenhouse Gas Reduction Fund

Dear EPA Environmental Financial Advisory Board:

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

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

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

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

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

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

Sincerely,

Daniel Reilly

Senior Director, Government Affairs and Policy

VEIC

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 Sustainabile 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. 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

 <u>Residential Property Assessed Clean Energy (PACE) Programs</u> by Charlie Harak, National Consumer Law Center (September 29, 2021)

Letters

- o 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)
- <u>Tampa Bay Times: Hillsborough affirms opposition to PACE home improvement program by C.T. Bowen, Times staff (August 4, 2021)</u>
- 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)
- <u>Missouri Independent: Governor signs bill enacting new oversight over Missouri clean energy loan program</u> 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)
- <u>ProPublica: State-Supported "Clean Energy" Loans Are Putting Borrowers at</u>
 <u>Risk of Losing Their Homes</u> 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)

- <u>LATimes: Homeowners were defrauded through the PACE lending program,</u>
 <u>L.A.'s city attorney alleges</u> by Andrew Khouri (April 4, 2019)
- <u>LA Times: PACE lender approved 'potentially fraudulent loans,' ex-employee</u> <u>alleges</u> by Andrew Khouri (March 1, 2019)
- <u>LATimes: A loan program was set up to boost energy efficiency. Instead, it's being used to build 'granny flats'</u> by Andrew Khouri (Feb. 17, 2019)
- Daily Democrat: Seniors buying clean energy loans victimized by Amita Sharma (December 10, 2018)
- <u>CalMatters: The latest rip-off risk for elderly homeowners? Clean energy loans</u> by Amita Sharma (November 27, 2018)
- <u>LATimes: Lawsuits filed against L.A. County, lenders over green energy program</u> 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)
- <u>LATimes: Bakersfield votes to end controversial program that funds home solar panels</u> 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

- <u>Science Daily: US black and Hispanic minorities bear disproportionate burden from air pollution</u> 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)

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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)
- <u>ProPublica: How Black Communities Become "Sacrifice Zones" for Industrial Air Pollution</u> by Ken Ward Jr., Mountain State Spotlight (Dec. 21, 2021)
- The Grio: Why Black communities are bearing the brunt of climate change by Dr. Shamard Charles (September 7, 2021)
- <u>Vox: There's a clear fix to helping Black communities fight pollution</u> by Rachel Ramirez (February 26, 2021)
- NYTimes: Pollution Is Killing Black Americans. This Community Fought Back. by Linda Villarosa (July 28, 2020)
- <u>Inside Climate News: 'This Is an Emergency': 1 Million African Americans Live Near Oil, Gas Facilities</u> 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

o 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 &}quot;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 Indegenious 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

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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)

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Private Equity Stakeholder Project

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Renewal of Life Trust

Respiratory Health Association

Revolving Door Project

Rural Community Assistance Corporation

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The Climate, Energy and Environment Team of the Consolidated Oregon Indivisible Network (COIN)

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Virginia Organizing

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350 Conejo / San Fernando Valley

350.org

350Hawaii











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 72 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 Indegenious 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.

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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



Letter to Administrator Regan December 2, 2022 Page 2

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

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,

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,

Impact on Climate

3.3 mil

MWh of clean energy generated by solar, wind, and other renewables

562.3 mil

kWh Energy Conserved

18.6 mil

metric tons CO₂ reduced

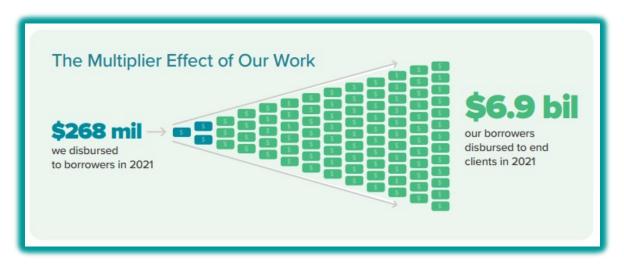
7.8 mil

solar products financed

1.3 mil

acres of land managed sustainably 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 <u>guidance</u> 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:

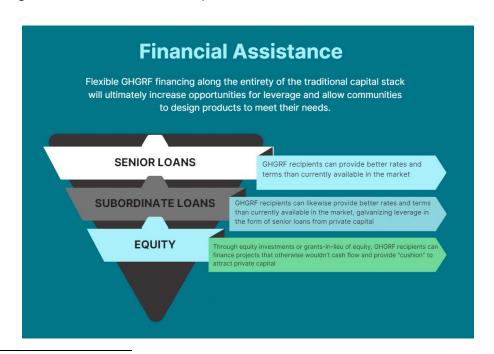
- curriculum development and training
- cultural and language translation
- community outreach materials
- community outreach coordinators (akin to "Navigators" used to help people understand and access the coverage benefits of the Affordable Care Act)
- creation of best practice networks
- support for 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, 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. 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

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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. 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 lowcost 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 adaptions 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 averages ¹⁰.

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. 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 multifamily 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 <u>CDFIs Outperform Other Paycheck Protection Program (PPP) Lenders – Partners for Rural</u> 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.

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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 statue 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

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

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.

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.

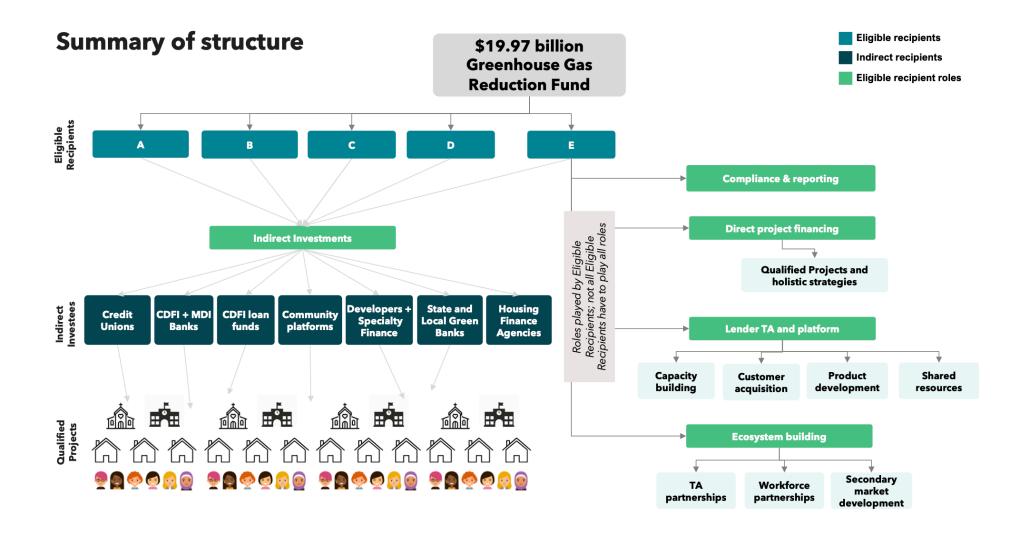
⁴ For GHGRF funding to effectively benefit low-income and disadvantaged communities, this funding must also be accountable to these communities through familiar and trusted governance structures and must have the flexibility to make programmatic adaptations to serve these communities.

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.

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.



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 GHGreduction 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, assetbacked 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;
 - o 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.

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 markup 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.
 - o 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.

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 Momentus 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, NYSERDA, 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.















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 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 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 EPAs 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.

<u>Definition of Low-Income and Disadvantaged Communities:</u>

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 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. 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

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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." 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, 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. 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. 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." 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." 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. 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). 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. 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. 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

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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." 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 LSIC 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.

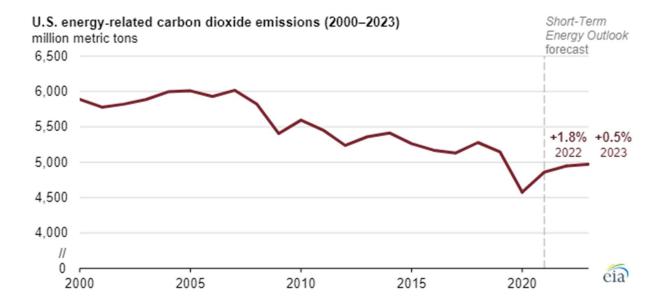
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²⁴ It has to be recognized that CDFIs, perhaps like any public policy initiative, are not immune from criticism or doubt about their capacity to contribute to the stated mission of Section 134. *See* Mehrsa Baradaran, <u>How the Other Half Banks: Exclusion, 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.</u>

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,

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,

Kevin S. Minol

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 lockin 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
- 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 onlending
 - 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 10year 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 datagathering, 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				

COUNTY BUILDING 118 N. Clark Street Room 567 Chicago, IL 60602 Tel: 312-603-4216 donna.miller@cookcountyil.gov

DISTRICT OFFICE 15440 S. Central Ave. Oak Forest, IL 60452 Tel: 312-603-3789



CHAIRMAN
Forest Preserve District
Contract Compliance Committee

VICE-CHAIRMAN
Contract Compliance Committee

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

Legislation Details (With Text)

File #: 22-3910 Version: 2 Name: JUSTICE40 INFRASTRUCTURE FUND

Type:ResolutionStatus:Committee ReportsFile created:6/9/2022In control:Finance Committee

On agenda: 6/16/2022 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

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



December 5th, 20222

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.

<u>Definition of Low-Income and Disadvantaged Communities:</u>

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 Ouestions

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.

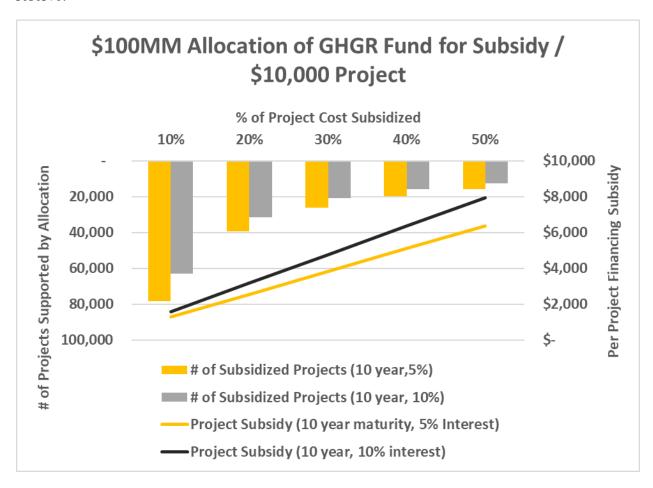
Project sponsors and accompanying lenders must consider several other factors in designing any such program. These include:

- 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 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. 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



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.

<u>Definition of Low-Income and Disadvantaged Communities:</u>

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



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

Co-President, Evernorth

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



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tel: 512-447-2026 fax: 512-447-0288

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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



creating housing where families succeed

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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 **CDFI 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,

Watt Ne

Walter Moreau, Executive Director

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









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
- <u>Vehicle Grid Integration</u> 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
- <u>Clean Transportation Program</u> by Energy Commission's Fuels and Transportation Division
- Bus Replacement Program by the California Energy Commission
- <u>Clean Vehicle Assistance Program</u> 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 <u>Making Equity Real Framework</u> 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 <u>Greenlined Economy Guidebook</u> 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 incomequalified 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 Blackfounded 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 that 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 entitles 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.



You subscribe to community solar.

The solar panels in your community produce electricity, metered by the local utility company.

Your local utility company then distributes the electricity to surrounding neighborhoods and business.

You receive a credit on your utility bill for the electricity your subscription generates, save money, and help support clean energy.

For the \$7 billion committed to state, local, and Tribal governments, GHG intensity of electricity and <u>average LMI energy burden as measured at the county level</u> 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), 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-

<u>assets.s3.amazonaws.com/GA+rural+ENERGY+burdens.pdf</u>) 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. 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 | Mobile: 415-971-7044

Web | Twitter | LinkedIn | Podcast



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.

This message, and any files attached with it, is intended only for the individual(s) to whom it is addressed and may contain confidential or privileged information. Please be aware that the use of such information may be restricted by state and federal privacy laws. If you are not the intended recipient, do not read, copy, use, or disclose this communication to others. Please return the message to its sender and delete it from your files. Thank you.

Securities are offered by Hannon Armstrong Securities, LLC, a registered broker-dealer, member FINRA and SIPC and subsidiary of Hannon Armstrong Sustainable Infrastructure Capital, Inc.



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 <u>Hannon Armstrong</u> (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."

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. 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 ieckel@hannonarmstrong.com or Gil Jenkins at 443-321-5753 or gjenkins@hannonarmstrong.com with any additional questions you may have.

Respectfully,

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



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

 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 &}quot;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." 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. 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. A Similarly, its \$1.4 billion in bond funding for low-income communities through CDFIs has gone to 32 states. It is also 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.

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

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 $\underline{\text{https://programs.dsireusa.org/system/program/detail/2510}}$ 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. 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/

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



Suite S-1000

312-651-1300

Chicago, IL 60601

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 "<u>Authority</u>"), 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 Video Conference. followed pound (#). join the use this link: bv To 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 <u>webmaster@il-fa.com</u> 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	* * * *
19	
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21	
22	
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24	

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 Authority. Today's date is Thursday, November 10th, 8 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 of the State of Illinois under Illinois law, are 17 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 "GGRF"). This first-of-its-kind federal program 23 24 will provide competitive grants to mobilize

financing and leverage private capital for clean energy and climate projects that reduces greenhouse gas emissions -- with an emphasis on projects that benefit low-income and disadvantaged communities -- and further the Biden-Harris Administration's commitment for environmental justice.

Executive Director Chris Meister is currently with me in the Authority's Chicago office at the physical location of this listening session and participating via video- and audioconference; some guests and staff are similarly at the location of the meeting and participating via video- and audioconference, while some other guests and staff will attend this meeting solely via video- and audioconference.

As we take the roll, the response of the guests and staff will be taken as an indication that this they can hear all discussion and testimony.

Since this is an agency listening session, I will recognize the guest members and staff who are present. Please respond with a "present" when I call your name.

Guest Member Juracek?

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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
   participating via video, please use your mute button
23
24
    found on your task bar at the bottom of your screen.
```

You will be able to see the control bar by moving
your mouse or touching the screen of your tablet.

For any Guest Member, staff, or anyone from the public participating via phone, to mute and unmute your line, you may press *6 on your keypad if you do not have that feature on your phone.

As a reminder, we are being recorded, and a court reporter is transcribing today's listening session. For the consideration of the court reporter, I would also like to ask that each speaker state their name before speaking or otherwise providing any comments for the record.

Finally, I would like to confirm that all members of the public attending in person or via audio conference can hear this meeting clearly.

Chris, can you confirm that this video- and audioconference is clearly heard at the physical location of this meeting?

EXECUTIVE DIRECTOR MEISTER: Thanks, Mark.

This is Chris Meister. I am physically present in the conference room on the 10th floor of 160 North LaSalle. With me are Guest Chair Will Hobert and 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 quards 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 Thank you, Chris. Meyer. 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.

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This is the first time that we have

conducted an agency listening session. As you have heard, this morning's topic is the Greenhouse Gas Reduction Fund. The GGRF is an important opportunity for the Authority in our state statutory role as the Climate Bank and for Illinois as a whole.

The GGRF is a new program, and the federal government is in the process of shaping it. The amount of the GGRF money that the federal government will be distributing nationally is estimated to be as large as \$27 billion, and the timeline of such funding is aggressive. In our view, the GGRF's purposes are consistent with the purposes of the Illinois Climate and Equitable Jobs Act, or CEJA, specifically the goals of: Putting 1 million electric vehicles on Illinois roads by 2030, reaching 100 percent of clean energy in Illinois by 2050, and while prioritizing job creation/training/placement reflecting the diversity of Illinois.

Importantly, US EPA is conducting its own public engagement efforts. So our work today merely complements US EPA's public engagement 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 quest'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. 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 all, this is, as has been stated several times 13 14 already this morning, an unprecedented opportunity 15 in both potential funding size and the 16 aggressiveness of the implementation schedule. 17 it's going to be important that all of us -- grant applicants and grant recipients -- do this right 18 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

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have more than 71 folks who have chosen to join us

1 this morning, and I'm looking forward to all of your 2 I see a varied group of you who are comments. 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 is Member Ameya Pawar. This is an exciting day 8 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

50-plus years, and I've had -- I've been active at all levels of the American labor movement; and also belong to the -- was vice president of AFL-CIO, the people who brought you the middle class and the weekend.

I'm excited for the opportunity -the opportunities of Section 134 of the IRA offer to
the trained and affected women and men of organized
labor. I am the longer serving labor representative
on the Illinois Finance Authority, and I am grateful
to Governor Pritzker for the opportunity to serve
and that we have this listening session this
morning.

Thank you, Mr. Chairman.

GUEST CHAIR HOBERT: Chris, over to you.

EXECUTIVE DIRECTOR MEISTER: Great. Thank you. For all the stakeholders, there's a memo that is posted on our website labeled, appropriately, "to stakeholders." Much of it has been summarized in the comments up to this moment.

I do want to make sure that everybody is aware, because the links for the US EPA's Environmental Finance Advisory Board and the relevant dates -- and those are open to the

- public -- are there on the bottom of page 1. The
 US EPA has provided a GGRF website, which has a
 wealth of information on it. But, specifically, I
 want to turn to the actual statute, which,
 fortunately, is about two-plus pages and is very
 brief.

 So I just really want to outline the
 - zero-emissions technologies, which the IFA, as a public entity, can compete for, along with nonprofit eligible entities. EPA is authorized to make these grants on a competitive basis. It's up to \$2 billion, but, specifically, the goal is to provide financial assistance, including technical assistance, to enable and benefit low-income and disadvantaged communities, to deploy or benefit zero-interest technologies, including rooftop distributed technologies, and to carry out other activities. That's \$7 billion.

There's close to \$12 billion, again, competitive to nonprofit eligible recipients.

Three, there is up to \$8 billion to low-income and disadvantaged communities, again, to eligible recipients. There is a group that helps with this legislation of the coalition for green

1 They're seeking to create a national green capital. 2 There is some legislative -- federal 3 legislative intent on that. But, again, really the focus of 4 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

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We

three minutes or less. We will have a timer.

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 open until 5:00 p.m. Central time on November 18, 7 8 2022. 9 This session is being recorded, and 10 we have a court reporter here transcribing the 11 When you are called upon, please be -discussion. 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

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1
    ready?
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              IFA IT ROB LITCHFIELD: I have -- the
    first one is Stephen Nickels. I'm going to allow
3
4
    him to speak. Stephen?
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              MR. NICKELS: Good morning. Good morning.
6
    From the Illinois Finance Authority "Agency
7
    Listening Session Materials related to the
    Greenhouse Gas Reduction Fund guidelines, Number 3,
8
9
    qualified project: "The term 'qualified project'
    includes any project, activity, or technology that
10
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
           Therefore, has failed Section 3(A) as quoted
    gases.
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
    further include debt reduction as a path for
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1 greenhouse gas reduction by municipal electric 2 aggregators and rural electric co-op to their generation facility. This is one of the only paths 3 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 Hi. My name is Jonah Rubin; MR. 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. And we are from Galesburg, Illinois. 21 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.

That changed 18 years ago now, when Maytag left

town. And since then, it's hit us hard. The scars

|4| of Maytag leaving here, really is still felt here.

We have a nearly 20 percent poverty rate here in Galesburg. You know, one of the things that is amazing about CEJA is the presence of these workforce hubs where people can get really strong training for founding a green business, get strong training for getting those good-paying middle-class jobs. We don't have one in Galesburg. It's a lot to ask people from my community to travel 45 minutes or an hour to get to Peoria to go attend class so that they can get a job three months, six months from now.

We're getting a lot of federal money. It would be amazing if we could just direct those to found more of these CEJA workforce hubs in communities like mine, the gap communities, that don't have these opportunities for training, that don't have the opportunities to get that pathway to the middle class that, historically, this town has had.

So I would urge the Climate Bank to

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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
    don't see why we should help islands pollute more.
8
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
    CEJA workforce hubs in my community, and we don't
13
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
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- 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.
- 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"
- 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.
- 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

no assurance that every carbon dioxide molecule that is put in the ground will stay in the ground. And once it starts coming out, we have no control over it.

So we can better spend our funds funding renewable energy, energy efficiency, making sure electric vehicles are built out and they are charged by renewable energy. And so I -- and, again, that we use our funds to ensure that equity contractors can get the jobs, that the hubs are supported so that we can ensure that our environmental justice communities get the benefits from the Climate Fund that we all intended when we passed CEJA. So thank you very much.

GUEST CHAIR HOBERT: Thank you, Joyce.

Rob?

IFA IT ROB LITCHFIELD: Excuse me. Next up we have Peter Schwartzman.

MR. SCHWARTZMAN: Yes. Hello. Thank you so much for giving me the opportunity to speak to you today. I'm the mayor of Galesburg, Illinois. It's a city of 30,000 residents in West Central Illinois. I'm also an environmental studies 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.

Over my 30 years as an environment scholar, I've published several peer-reviewed articles on climate change and energy. I've also coauthored a book in 2019, "Under the Future of Energy and Food."

As a scientist and politician, I see amazing opportunities for Illinois to become a primary provider of clean energy in the future for the Midwest and beyond. And when I say future, I'm talking near future. We have an ample wind and solar energy in our state, not only for Illinois, but for all surrounding states. As an elected leader of my community for the past 12 years, I have focused a lot of attention on energy savings and real energy development.

We have seen amazing progress. We first aggregated our power eight years ago, and we've saved our residents millions of dollars over this time. We had a solar array put at our water pumping station, which is located outside of Galesburg. That was started up in 2020, and we are saving residents in the city \$50,000 a year on that.

We have -- also, we currently have an RP valve to put solar in our city's water plant storage plant, and we see that as a very lucrative and environmentally safe and responsible path.

Two large projects are planned in renewable energy for our county. Both are over \$50 million. One is a wind project that's held up in court currently but should be released soon. And a very large, 400-acre array -- solar array just south of town. That's going to bring incredible amounts of tax revenue to our community, provide revenue for farmers and other landowners. I hope you guys know about the aggregate FAIT programs that are being taught now in -- at the University of Illinois so we can grow food and extract energy from plots at the same time.

Closing thoughts; very important.

These are very important developments in rural communities. These are really good jobs and good-paying ones. The tax revenue I alluded to is very important to sustain these communities. But we need to train and hire local people and with emphasis on low-income --

IFA IT ROB LITCHFIELD: Peter, you have

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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. Ι 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

organizer for Illinois People's Action. You heard

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Dawn Dennenbring. I'm an environmental justice

from some of our members already. We have members throughout Illinois, outside of Chicago. And our members were heavily involved in passing the Climate and Equitable Jobs Act and are now working on implementing the bill.

I serve on the leadership team of the downstate caucus and the Jobs and Economic Justice Committee of the Illinois Clean Jobs Coalition, but I am speaking on behalf of Illinois People's Action today.

CEJA is groundbreaking in both addressing the climate prices and our need to build a new green economy, leading with racial equity, and it would be our recommendation that you use the Greenhouse Gas Reduction Fund money to amplify CEJA because money is not unlimited. We ask that you apply a litmus test as you decide how to prioritize your spending. And if this sounds like I'm amplifying some of what you've already heard, it's probably because it's so important.

So, specifically, we would ask that you ask yourselves two questions to either move a proposal forward or to stop it in its tracks. The 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. 3 needs to be a "yes" to this answer to move forward. 4 And the second question needs to be a 5 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 fuels or allow for a disproportionate life cycle 8 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 Thank you, Mr. Chair and MR. CARLSON: 23 Executive Director and members of the board. My24 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 communities as well. 8 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. Secondly, as you've heard from our 22 23 leaders in Galesburg -- and there will be others 24 from Danville and elsewhere -- make sure that the

projects are geographically diverse. You know and I know that Chicago's going to get theirs. And the challenge is going to be is to make sure that clean energy, equitable jobs projects, equitable clean energy projects, are across the breadth of the state, including far-South Illinois.

And third, as you just heard from Dawn and others, do not spend this on false solutions. You know, all you have to do is kind of do a little Google search about FutureGen 1.0 and the fact that that was going to be a \$1.6 billion boondoggle. Then you look at FutureGen 2.0s, that this own Authority went to the Washington, D.C., to try to promote to the federal government. And that was taking -- I think, at least on the carbon sequestration piece -- \$86 million they put in the parking lot and burned it.

We don't need FutureGen 3.0s. That would be a disaster. The only thing that's changed in that picture is that the sequestration has become much more expensive, if you can believe it, and there is now an organized grassroots movement in opposition.

IFA IT ROB LITCHFIELD: You have

- $1 \mid 30 \text{ seconds.}$
- MR. CARLSON: In closing, don't shut this
- 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.
- GUEST CHAIR HOBERT: Thank you, Don. I
- appreciate those thoughts. And to that point, if we
- 12 run out of time -- we have a hard stop at noon -- if
- 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.
- MS. DOWNEY: Hi. This is Phoebe Downey
- with the FCOs that represent Chicago, Cook County,
- 21 and in the six surrounding collar counties.
- Looking -- we kind of looked at the
- electrification of the resource network daily here,
- working to kind of -- with our legal partners, the

CEJA process, modes of transit, freight, personal EVs. One of the things we regularly heard from our four agencies, as well as our other partners in the areas, that there's a lot of funding available for purchasing EVs and EV charging infrastructure and that they really are starting to see, like, the benefits of switching the fleet to EV to benefit these disadvantaged communities, reducing their greenhouse gas emissions. The challenge is some of the initial upfront people that they're fighting is especially regarding facilities updates in electrifying fleets in many pieces.

I do see, kind of the IFA and this funding as a potential to offer some kind of revolving loan fund program, just like they do in other municipal agencies that would help to overcome the initial upfront costs and barriers. And then these agencies, with the savings they're making electrifying the fleet, they're coming down significantly. Those states could be used to kind of pay off those loans in the long term. It just seems like a great opportunity for someone like IFA who has the experience in this day already to provide some kind of program like that. Thanks.

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1
    Thank you.
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              GUEST CHAIR HOBERT:
                                    Thank you, Phoebe.
                                                         Τ
3
    appreciate your thoughts.
4
                   Rob, next speaker?
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              IFA IT ROB LITCHFIELD: Our next speaker
6
    is Jeff Crabbal.
7
                            Hi. Can you hear me?
              MR. CRABBAL:
8
              IFA IT ROB LITCHFIELD:
                                     Yes, we can.
9
              MR. CRABBAL: Thank you so much for
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    allowing me the opportunity to speak. And also, I
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    appreciate you holding another session in the
12
    evening, so I think more people would be able to
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    attend.
14
                   I am a member of Illinois People's
15
    Action. But I am speaking as a member of the city
    council for the city of Bloomington, individually.
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    And I can see where the city of Bloomington could
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    benefit greatly from funds from the source.
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   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.
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1 Also, we do have disadvantaged areas 2 of our community, many of which would support solar panels, wind farms, you know, that type of thing. 3 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 what we otherwise could with our limited budgets. 10 11 Thank you so much. 12 Thank you, Jeff. GUEST CHAIR HOBERT: 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 I appreciate the opportunity to address 20 Shields. 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.

Blue Capital is the largest minority-owned security company in the United States. It is also harbored in Chicago. We have a long history at Blue Capital of working with the Authority, which is a trusted participant in the capital markets. The IFA has been a leader in ESG financings in the capital markets. It's one of the first issuers to have issued green bonds for the state's water and waste -- water and state revolving fund programs.

We have also been a partner with the IFA on financings for the PACE program, which is the Property Assessment Clean Energy financing program, which is for energy efficiency and renewable energy projects for commercial facilities, which we have financed, you know, through the IFA, mostly in Chicago. We would hope to work with the IFA in greenhouse gas financing opportunities with clean energy and climate projects, based on its history of using innovative financing to maximize the leverage or the impact of, you know, these new federal programs, as the IFA has done in the past for the governments, and as I've mentioned for the Illinois 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 Authority's partner as it looks to maximize the 4 5 impact, you know, of these new financing programs. 6 Thank you very much. 7 Thank you, Stratford. GUEST CHAIR HOBERT: We appreciate your time. 8 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 chain with HIRE360. One of our main focuses, we 17 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,

equipment purchases, and things that are needed that some of the small businesses do not have the capabilities of being able to take advantage of.

So whereas these programs are coming to actually move us forward and help us to actually, like I said, you know, eliminate the greenhouse gases, we have to take into consideration these opportunities for generation wealth creation for a lot of businesses that have not had those types of opportunities.

So I would like for the consideration to be made towards making sure that, you know, the technical system that is going to come out of this, you know, would actually have some allowance for companies to be able to rescale them up, get that access to capital, get that access to the training and the capabilities for them to actually participate and take advantage of this and not just be something where some of the larger companies that, you know, traditionally get those opportunities. You just kind of throw out the crumbs to those smaller businesses. So I just want to make sure there's a lot of emphasis on inclusion for those minority businesses.

1 Thank you, Deborah. GUEST CHAIR HOBERT: 2 We appreciate your thoughts. 3 Rob, it looks -- next up is Ben? 4 IFA IT ROB LITCHFIELD: Sorry. 5 Jackson is next. 6 Ben? 7 Hello. I'm here. MR. JACKSON: Thank 8 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

undertaken with C-PACE, for example, or in securing and appropriately implementing funds from the Inflation Reduction Act.

We strongly support, and we have written letters to support, for the agency receiving funds under this program that would help Illinoisans across the state. And it would also continue to strengthen that partnership between a private finance in Illinois, helping the Illinois economy, while also ensuring there's a public partner that is critical to this process of moving Illinois towards a clean energy future.

We strongly support funds coming into Illinois from the federal stimulus bill to support development of green energy throughout the state of Illinois. IFA, we have worked with them in Springfield, in Chicago, all over, to come up with ways to strengthen that partnership between private finance and government for many years to come, and that includes working together on the PACE program, getting that right in Springfield, as well as the Climate Bank, which the Authority established a short time ago.

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 I am the policy and government relations 21 director for the Chicago Community Loan Fund. We're minority, midsized senior advisers with Chicago 22 23 since 1991. In that time we have provided more than

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545 loans that have leveraged more than 1.6 billion

for 501 financing for for-profit and nonprofit developers, both gaining accesses to affordable housing and commercial retail community facilities and social enterprises to communities across Chicagoland.

We've also been able to preserve or create nearly 11,600 units of housing, more than 6,500 jobs, and 12.2 million square feet of commercial real estate space and nonprofit facilities there, affordable to do in sustainability and decarbonization. And we're firmly committed to working with borrowers who understand the importance of proactively reversing the extent of environmental racism that has been placed on Black and Brown communities that we primarily serve.

To that end, we have been able to leverage more than \$332 million to support green initiatives in the various types of investment community that the GGRF is intended to uplift. We definitely want to highlight that GGRF, like ours, are some of the most uniquely tailored to serve minorities -- a majority of minority neighborhoods in my communities, because that's where we're most 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 genuine history in the low-income and disadvantaged 16 17 communities that they serve. 18 We also have to lead with energy 19 efficiency as a strategy to maximize greenhouse gas reductions in low-income and disadvantaged 20 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 We have been able to partner with some great 5 folks to do some amazing things in the group. 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 disinvested communities in state, regionally, and 8 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 disinvested communities. It builds on the clean 17 18 energy winds that the state has already locked in through the passage of CEJA. And if the program is 19 20 to live up to federal and state clean energy and 21 equity goals, then it must be used to fill gaps and financing for projects brought forward by 22 23 environmental justice and are supporting 40 24 communities and that benefit those communities and

the households in them.

There are many attractive large-scaled projects and companies in the clean energy space. But these projects and businesses are often able to access other sources of support including tax credits, other IRA programs, and private capital. Smaller projects and smaller companies, and particularly disadvantaged and equity-eligible communities, simply do not have the same access to capital. With that in mind, I want to speak to two different types of projects I see as key opportunities for this money to fund.

First, energy-efficient buildings, community scaling of installation, and building decarbonization in residential buildings and buildings owned by community-based organizations are very difficult to move forward in the current financing environment. I would urge the IFA to focus its efforts and any comments it submits on these types of projects, which need additional support and have few places to go for it.

Second, it is critical that the money from this fund is used to advance projects led by marginalized businesses, including equity-eligible

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    contractors. Funds should be used to help
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    marginalized disadvantaged businesses and the
3
    communities across the state from which they
    originate, flourish.
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5
                   We would like to see loan, grant,
6
    and/or other --
7
                                       Thirty seconds
              IFA IT ROB LITCHFIELD:
8
    left.
9
              MS. HESSEL: -- thank you -- that support
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    marginalized businesses; pursue energy efficiency;
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    solar, wind, and EV development across the state.
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    And I'm confident that the IFA has the experience
13
    and track record to meaningfully support this goal,
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    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?
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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
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for communities.

1 Liechti? 2 Yes. Liechti; that's MR. LIECHTI: L-i-e-c-h-t-i, and I am the senior manager of 3 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 traditionally underserved markets. 10 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

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                   This is about helping capital find
    its way to communities, and that's exactly what I
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3
    have faith, as this is new capital. And the key is
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    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
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    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
                                    Thank you, Brian.
              GUEST CHAIR HOBERT:
                                                        Ι
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
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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 might be working now or might be otherwise engaged. 4 So my name is John Delurey. I'm with 5 6 Vote Solar. Vote Solar is a national solar and justice advocacy organization. We focus on making 7 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 disadvantaged Illinois families. We need money to 17 deploy large scale climate and clean energy 18 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

referenced; those that are in disadvantaged communities, those that are built by disadvantaged contractors, or those contractors that have been blocked or overlooked by a long history of racist lending. We need to put solar on every roof and a heat pump in every home, with low-wealth Illinoisans at the very front of the line. Many of these financing products will require aggregating small projects, many of which that are done by small, often nonunion, mom-and-pop contractors.

The Illinois Finance Authority's
Climate Bank will be critically important, but not
sufficient, in achieving this goal. This is why my
colleagues at the Illinois Clean Jobs Coalition and
I worked with members of the Illinois Legislature to
create a new inclusive financing entity. We spent
months listening to disadvantaged communities and
Black and Brown contractors and consulted
extensively with the coalition for green capital
when crafting the structure and role of this new
entity. And that's the same bill that created the
Climate Bank Authority, has created a new Green Bank
as well, the Clean Energy Jobs and Justice Fund.

That fund is laser-focused on

equitable outcomes and was specifically designed as
a nonprofit entity, to both cover gaps in the
financing landscape and to go places that other
entities might not.

IFA IT ROB LITCHFIELD: Thirty seconds, John.

MR. DELUREY: Thank you. The timing works out well, especially considering that 20 of the 27 billion in the Greenhouse Gas Reduction Fund is reserved for nonprofits and other similar eligible entities. When the moment comes, this is why we should have a coordinated approach to apply for funding to the State of Illinois.

Thanks to CEJA, thanks to Governor

Pritzker, thanks to many in-state leaderships, I

believe Illinois is in position to claim over a

billion dollars of the 27 billion, but only if we

work together and focus on real, not false, climate

and clean energy solutions.

My direct ask, in closing, is that
the comments submitted to the Greenhouse Gas
Reduction Fund or about the Greenhouse Gas Reduction
Fund express the need for multiple recipients at
multiple scales, including the job-adjusted funds,

- 1 to fully achieve climate and economic justice.
- ² Thank you.
- 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.
- 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.
- 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.
- 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
- 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
- operations of 13 workforce hubs in the state. That
- $24 \mid$ may also include expanding satellite facilities that

1 provide training as well, similar to what's provided 2 in the workforce hubs. Likewise, I think that it's 3 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 need to ensure that there's a mechanism in place to 7 track people's -- not only entrance into the 8 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 we would fail to be able to ensure that the job 13 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 who are transitioning from coal communities 17 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 Thank you, Deonte. GUEST CHAIR HOBERT: 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 and the other emails. Joe Duffy, Eric Heineman, 8 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?

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              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)
3	
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.
13	
14	
15	Dated: November 10, 2022
16	HAPPOR KAPA.
17	Holly Koch
18	Illinois CSR No. 084004925
19	
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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=WIJNbmk5UWIGTm1aeIUvT2JReFpXZz09 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

1 2 ILLINOIS FINANCE AUTHORITY 3 GREENHOUSE GAS REDUCTION FUND AGENCY 4 LISTENING SESSION 5 6 REPORT OF PROCEEDINGS of the Illinois 7 Finance Authority HELD IN PERSON and VIA AUDIO and 8 VIDEO CONFERENCE, on Thursday, November 17, 2022, at 9 7:00 p.m., pursuant to notice. 10 11 PRESENT VIA AUDIO AND VIDEO CONFERENCE: 12 CHAIRMAN WILLIAM HOBERT VICE CHAIR ROXANNE NAVA 13 MEMBER ROGER POOLE 14 MEMBER AMEYA PAWAR 15 ILLINOIS FINANCE AUTHORITY STAFF: 16 MARK MEYER, Assistant Secretary CHRISTOPHER MEISTER, Executive Director 17 18 19 20 21 22 23 24

EXECUTIVE DIRECTOR MEISTER: Good evening.

This is Chris Meister. I'm the Executive Director of the Illinois Finance Authority. I would like to call this agency listening session to order.

ASSISTANT SECRETARY MEYER: Good evening. This is Mark Meyer, Associate General Counsel of the Authority. Today's date is Thursday, November 17, 2022, and this agency listening session has been called to order by Executive Director Meister at the time of 7:00 p.m. We'll remain open up to 120 minutes from now or until everyone has had an opportunity to speak.

This is a listening session only and is being conducted via video and audio conference.

Staff of the Authority, consistent with the Authority's designation as the Climate Bank of the State of Illinois under Illinois law, are holding this agency listening session regarding the Inflation Reduction Act, or IRA, which amended the Clean Air Act to create a new program through the United States Environmental Protection Agency, US EPA; the Greenhouse Gas Reduction Fund, or GGRF. This is a first-of-its-kind federal program —— this first-of-its-kind federal program will provide

competitive grants to mobilize financing and leverage project 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.

Executive Director Chris Meister is currently with me in the Authority's Chicago office at the physical location of this listening session and participating via video and audio conference. Some guests and staff are similarly at the location of the meeting and participating via video and audio conference while some guests and staff will attend this meeting solely via video or audio conference.

As we take the roll calls, the response of the guests and staff will be taken as an indication that they can hear all discussion and testimony.

Since this is an agency listening session, I will recognize the guest members and staff who are present. Please respond with "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.

ASSISTANT SECRETARY MEYER: I am also present.

Before we begin making our way through today's session, I would like to request that each speaker mute their audio when possible to eliminate any background noise unless you are speaking, answering a question, or otherwise providing any comments for the record. If you are participating via video, please use the mute button found on your task bar on the bottom of your screen. You will be able to see the control bar by moving your mouse or touching the screen of your tablet.

For any Guest Member, staff, or anyone from the public participating via phone, to mute and unmute your line, you may press *6 on your keypad if you do not have that feature on your phone.

As a reminder, we are being recorded and a court reporter is transcribing today's listening session. For the consideration of the court reporter, I would also like to ask that each speaker state their name before speaking or otherwise providing any comments for the record.

Finally, I would like to confirm that

remote location?

all members of the public attending via video or

audio conference can hear this meeting clearly.

Guest Vice Chair Nava, can you confirm that this

video and audio conference is clearly heard at your

VICE CHAIR NAVA: Yes, I can confirm that I can hear everything just fine from my remote location. Thank you.

ASSISTANT SECRETARY MEYER: Great. I am physically present in the conference room on the 10th floor of 160 North LaSalle Street in Chicago, Illinois, and I can confirm that I can hear all discussions at the physical location of this listening session and the remote participants that have spoken thus far. The agenda for this listening session was posted on this floor and on the first floor and on the Authority's website as of last Thursday, November 10, 2022.

If any member of the public participating via video or audio conference finds that they cannot hear these proceedings clearly, please call (312) 651-1300 or write info@il-fa.com immediately to let us know, and we will endeavor to solve the audio issue.

CHAIR HOBERT: This is Will Hobert. Thank you, Mark.

Welcome to this second time that we've conducted an agency listening session. As you have heard, this evening's topic is the Greenhouse Gas Reduction Fund. The GGRF is an important opportunity for the Authority in our State statutory role as the Climate Bank and for Illinois as a whole.

The GGRF is a new program, and the federal government is in the process of shaping it. The amount of the GGRF money that the federal government will be distributing nationally is estimated to be as large as \$27 billion, and the timeline of such funding is aggressive. In our view, the GGRF purposes are consistent with the purposes of the Illinois Climate and Equitable Jobs Act, or CEJA, specifically the goals of putting a million electric vehicles on Illinois roads by 2030, reaching 100 percent clean energy in Illinois by 2050, and while prioritizing job creation, training, placement reflecting the diversity of Illinois.

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 quest's statement to three minutes, and an e-mail address 7 8 has been provided for written comments. 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 colleagues for a brief statement: Members Nava, 15 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.

CHAIR HOBERT: Thank you.

Member Pawar or Member Poole?

MEMBER POOLE:

MEMBER PAWAR: Thank you, Member Hobert.

Go ahead.

Thank you everyone for joining us tonight. I just wanted to quickly say that Section 134 of the Inflation Reduction Act is an opportunity to inject much needed private capital into low-income and disadvantaged communities around the state of Illinois; improve the health of those communities by reducing greenhouse gas emissions; and do so that is consistent with the governor's goals and the Clean Energy Jobs Act and in a manner that reflects the diversity of Illinois. So thank you all for being here tonight, and I'm excited to hear what everyone has to say. Thank you. Back to you, Chair Hobert.

CHAIR HOBERT: Thank you, Member Pawar.

Member Poole?

MEMBER POOLE: Yes, Mr. Chairman. I'm very excited to be part of this -- the opportunity to do this as a member of the IFA, being a member of organized labor for a long -- longer than I want to really admit. But the opportunity of this

level they are. Thank you.

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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 IFA has an opportunity to participate in it at the 8

CHAIR HOBERT: Thank you very much.

Chris, over to you.

EXECUTIVE DIRECTOR MEISTER: Thank you very much, Chair Hobert. For the stakeholders, we posted on our website a stakeholder memo, which importantly contains links to various US EPA websites, including the Environmental Financial Advisory Board, which met earlier today, and so they have even more information posted on their website.

We also have a complete copy of the statute, which, fortunately, for federal law is fairly short. It's about two-plus pages. And I'm just going to -- I'm just going to cover it very, 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 complements the work of the EPA in gathering public 4 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 buckets of money under 134. There's what's known 8 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

just described and that's identified in the statute. There's up to \$12 billion in financial and technical assistance. And then there is a billion dollars specifically for low-income and disadvantaged communities.

Again, we look forward to hearing what folks have to say. And this is a listening session. And the instructions for the attendees who wish to speak on the record, as has been mentioned, anybody participating via video, please indicate your desire to speak by using the "Raise Your Hand" function. Click on the "Raise Hand" option at the center of your control bar at the bottom of your screen. You will be able to see the task bar by moving your mouse or touching the screen on your tablet.

If any attendee is participating by phone, please indicate your desire to speak by using the "Raise Hand" function by pressing *9.

For each attendee, again, as Will mentioned, please limit your speaking to three minutes or less. We will use a timer so that we get as many speakers as possible. You will not be called upon a second time. However, the member

1 quests 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 we'll keep that open until 5 p.m. on Friday, 8 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. So thank you very much. The court-reported 18 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 This is Will CHAIR HOBERT: Thank you, Chris. 24 Hobert. Rob, if I could ask you and Chris to work

together to queue and call upon the attendee speakers. We will work to have as many attendee speakers as possible, and this session will run a full 120 minutes if needed. Rob, do you have any attendee speakers ready?

MR. LITCHFIELD: Yes. There's three queued to speak. So our first one is Joe Duffy.

MR. DUFFY: Hi. Can you hear me? CHAIR HOBERT: Yes.

MR. DUFFY: Hi. Good evening, everyone. My name is Joe Duffy. That's D-u-f-f-y. Thank you so much for the opportunity to speak today. I am the executive director of Climate Jobs Illinois. We are a coalition that is governed by the Illinois AFL-CIO, the Chicago Federation of Labor, as well as the Cook County construction and building trades.

In addition to that, we have 12 different labor affiliates across the state. And we were created back in 2020 in advance of the negotiations around the Climate Equitable Jobs Act. And our organization was successful in terms of securing the strongest labor standards in the country on the Climate and Equitable Jobs Act that

requires project labor agreements in all utility scale wind and solar, as well as prevailing wage on projects that receive renewable energy credits outside of residential solar and some houses of worship.

And we are very excited. I want to echo what Member Poole said regarding the Inflation Reduction Act and why we think certain funds can be allocated and really benefit the state of Illinois as well as workers across the state of Illinois and decarbonize our state's economy due to the work that we were able to do in CEJA and what the Inflation Reduction Act does to complement that work that we all worked on over the last couple years.

And I also want to echo -- I was on the previous recording last week -- what a friend and colleague of ours that we work very closely with at Hire360, Deborah Whitaker. She made some comments last week related to funds going to Black contractors as well as the work that they're doing at Hire360's diversified construction and building trades. Very much is important to our coalition, Climate Jobs Illinois, and our affiliates in labor

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across the state of Illinois.

And then there's two other pieces that I think are really important where money secured through this Green Bank can really benefit Illinois and really benefit and hit the goals that the Green Bank is seeking to accomplish. One of which is putting this money towards workforce development in the Climate and Equitable Jobs Act. There's three workforce development hubs in Northern, Central, and Southern Illinois: The ClimateWorks preapprenticeship program that is in the process of being implemented by the Department of Commerce and Economic Opportunity, that would set up preapprenticeship programs to get people prepared to take the test to get into an apprenticeship program for the various construction and building trades in clean energy. We think that that money would be very well spent to prop up those organizations and build upon the work that Hire360 has done in Chicago. MR. LITCHFIELD: Joe, you have 30 seconds or

MR. LITCHFIELD: Joe, you have 30 seconds or less.

MR. DUFFY: Sounds good.

And then in addition to that, it's

1 towards carbon-free healthy schools. In the CEJA there is 15 percent of their mobile energy credits 2 toward going to solar on schools as well as energy 3 efficiency audits focused on Tier 1 and Tier 2 4 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 Thank you, Joe. We appreciate CHAIR HOBERT: 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 G-e-n-i-n, Genin. And I'm representing the 24

Illinois Municipal Utility Association, also known as IMUA, and the Illinois Municipal Electric Agency, also known as the IMEA. We have worked well with the IFA in the past with regard to emergency loan financing for municipal gas systems during the winter storm Uri. We would like to again thank you, Chair Hobert, and the IFA again for their quick action and urgent necessary relief during that time frame.

The IMA is a nonprofit joint action agency providing wholesale power to 32 municipal electric systems in the state. And the IMUA is the advocacy organization representing all 42 municipal electric systems in Illinois. We are nonprofit utilities, and well over a majority of our municipal electric systems are in low-income or rural downstate communities. We would welcome the opportunity to potentially to work with the IFA on the GGRF and help many of these folks benefit from increased electric vehicles on their roads in reaching the state's 100 percent clean energy goal by 2050.

Our organizations are uniquely positioned and qualified to enable these municipal

electric utilities and, as a result, their communities that benefit from the new zero-emission technologies or the reduction of greenhouse gas emission technologies. We already administer 19 programs that support energy efficiency and electric vehicle incentives.

If the IFA is able to secure the GGRF funds and if we were to have the prospect department with the IFA, then we can expand our programs to offer new incentives and opportunities that would not necessarily be available without financial assistance. Examples could include offering customers incentives or rebates for high-efficiency heat pumps, efficient appliances, weatherization options, and opportunities to accelerate the transition to carbon-free vehicle fleets.

We also have experience in developing renewable projects such as wind and solar. We could use this experience to potentially offer the opportunity of community-based solar for municipal customers as well as other zero-emission or greenhouse gas reduction technologies.

In conclusion, thank you for your

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1 consideration. Thank you for representing Illinois in assessing GGRF funds. And thank you for the 3 opportunity to speak today. Thank you. 4

CHAIR HOBERT: Thank you, Mike. We appreciate your time and your thoughts.

Next up, Rob, is it Tracy?

MR. LITCHFIELD: Tracy Fox.

CHAIR HOBERT: Hi, Tracy.

MS. FOX: Hi. Thanks to the Director, board members, and staff who are holding this evening's session. It is much appreciated.

I have been a community volunteer in the Peoria area for many years and got involved with energy policy as it was pretty closely intertwined with our fight to clean up pollution at the Edwards Coal Plant. And that led me to be pretty involved with some of the legislative drafting done by the Clean Jobs Coalition on CEJA.

And the way that CEJA is drafted, there's a real opportunity to do not one but two or three things with the Greenhouse Gas Reduction Fund. I certainly think that the IFA is well positioned to carry part of that load, but I also think there's an important place for smaller, more

culturally sensitive banking sorts of things such as what was envisioned in the CEJA Jobs and Justice Fund. And so I hope that as IFA moves forward it will think about a role for both banking options as well as ways that it can lift up not just the couple of programs called out by CJI and Mr. Duffy, but the full range of CEJA programs. I would hope that IFA would coordinate with the Illinois Power Authority as well as DCEO to see how the full suite of programs might benefit from this extra funding.

I also just want to dig a little bit to why I think multiple banking options are needed, and the first has to do with target audiences.

CEJA and the parts of it that I worked on, including the Jobs and Justice Fund, really focused on the needs of very small contractors and new entrance into the clean energy field. And they're very targeted to try to bring people who have been shut out before into clean energy. And that would be people in environmental justice, people in cannabis-ravaged communities, people coming out of the prison system, and people who are foster care alums.

I think the banking relationship is

needed to help that. I'm sure folks who could benefit from the jobs, who could benefit from the opportunity is going to look pretty different from what IFA typically deals with, and I think it's good to have multiple doors. These folks, a lot of them are used to not having good access to capital --

MR. LITCHFIELD: 30 seconds left.

MS. FOX: -- of having pretty fraught banking relationships. So I think that duplication is important.

I also think it's important because it allows you to do different types of projects. Small projects that appear in neighborhoods of the appropriate purview, of a smaller entity like the Jobs and Justice Fund where answering questions like what's the urban equivalent of a wind farm, something that the south side of Peoria District Council people ask me all the time. Those are the purview of things the IFA would be well positioned to address.

And, finally, I ask you not to solve isolated and outdated projects or problems.

Instead, try to position IFA, its efforts are

1 overall greenhouse gas reduction efforts and solving the problems of everyday people, the need 2 3 for clean air, the need for low-cost energy, and also to position Illinois to catch the next wave. 4 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 Okay. You have the experience to MS. FOX: 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 This is really unprecedented times both comments. 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. I'm glad all the speakers were 8 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

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1 account. My name is Lauren Becker, and I'm with the City of Carbondale, Illinois.

CHAIR HOBERT: Hi, Lauren. Please take up to three minutes and let us know your thoughts.

MS. BECKER: My thoughts will be short and sweet. I just want to make sure that I take this time that you've provided for us to echo the sentiments of a previous speaker. Coming from the perspective of a municipal employee, I cannot stress enough the importance of small projects and the importance of projects that focus on strengthening the resilience of our neighborhood.

So a previous speaker had mentioned this opportunity as an avenue for us to focus on the new wave, catching the new wave. So I just want to stress that our community is also looking to catch the new wave, not additional carbon piping. We want to be preparing ourselves to be resilient and focusing on energy sovereignty and energy security in this new age.

And we welcome the opportunity for municipal governments to pursue power that we can own ourselves, pursue power that focuses on providing those of us who are low income or

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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. 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 what two of the speakers mentioned about need for 22 23 small projects. One of the main impetus for the

Bridges Court Reporting Page: 26

Climate and Equitable Jobs Act is to have clean

energy accessible to all, but also to have clean jobs across the state. And having the equity portion of CEJA for solar developers as well as for workforce training would involve having the green fund available -- configured so it's available to folks in those locations across the state. And I can speak definitely for Southern Illinois and need for jobs, and we definitely have low-income folks who would benefit from those jobs as well as from them having solar on their house.

I also -- I guess I want to be sure that funding for projects that involve pipelines to sequester carbon from ethanol plants or elsewhere is not in the spirit of moving on to new generation of clean energy. It's reinforcing the past and fossil fuels. Nothing wrong with fossil fuels, but we need to move beyond them at this point.

So I will write a written comment in addition to this, but I do want to at least speak out on this level -- this general level to endorse that focus on local and clean alternative fuels.

Thank you so much for your time.

It's terrific that all this financing is available,
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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1	STATE OF ILLINOIS)
2) SS: COUNTY OF COOK)
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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.
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14	Valerie Calabria
15	Valle Caldura
16	VALERIE CALABRIA, CSR, RPR License No. 84-003928
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From:

Joyce Blumenshine

Sent:

Monday, November 14, 2022 8:55 PIVI

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

From:

Candace Colby

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

From:

Ryan O'Donnell < Ryan. ODonnell@cwbnaacp.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

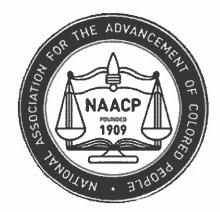
Dear Illinois Finance Authority,

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

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	und Regulations					
Attachments:	Climate Jobs Illinois Comments on EPA GHG Reduction Fund Regulations.docx						
Good afternoon,							
	comments on proposed regulations for the EPA Greenhouse Gas Reduction Fund inois. Please let us know if you have any questions.	, submitted o					
Thank you,							
Mia Korinke							
Campaign Mobilization	Pirector						
Climate Jobs Illinois - I	. AFL-CIO						
E: mkorinke@climatejob	sillinois.org						
C : 763.607.9263							
Facebook Twitter C	imateJobsIllinois.org						
To high protections are any riscore to the expension of the protection and the protection							



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. 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. 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.

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. 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

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: 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.
- 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?

From:

Joyce Blumenshine

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, Toyce Blumenshine

160 North LaSalle Street Suite S-1000 Chicago, IL 60601 312-651-1300 312-651-1350 fax www.il-fa.com

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 on 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.".

Suite S-1000

Chicago, IL 60601

312-651-1300

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. Condit 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, separative 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

<u>Background</u>: 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 <u>self-designation process</u> 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.

<u>Recommendation</u>: 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.

<u>Recommendation</u>: 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.

<u>Recommendation</u>: 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,
- o assisting low-income, EJ, and BIPOC communities to pay for solar and energy efficiency upgrades,
- o 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.

<u>Recommendation</u>: 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 <u>\$20B of GHGRF under IRA Section 134(c)(1)</u>, 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

EXHIBIT A IFA Project No. 12555

Funding Summary Page 1

ILLINOIS FINANCE AUTHORITY							
Governmental Unit	City of Springfield						
Property	1 North Old State	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		Sis Finance Authority Taxable Property Assessed Clean Energy (Nuveen Green Capital) Series 2022A \$1,401,327.98 6.84% Fixed Not to exceed June 3, 2054 Special assessment on the Property pursuant to the assessment contract between the Record Owner and the					
	Structure:	Governmental Unit (and its permitted assignees)					
	Source:	Direct purchase PACEWell 4 LLC, as Designated Transferee of Greenworks Lending LLC, the Capital Provider					
	Use of Proceeds:	PACE Project Costs Program Fees Other Fees Capitalized Interest Capital Provider Fees		\$1,157,039.00 27,006.64 26,570.39 167,188.83 23,523.12 \$1,401,327.98			
Impact*	Energy Savings: Energy Utility Bill Savings: Water Savings:		19,808 kWh and 137 therms				
	Water Bill Savings:		\$6,036				
Job Data	6 full-time and 8 part-time construction jobs (30 weeks)						
	•		orks Lending LLC, the Program	Administrator for			

For additional information:

EXHIBIT A IFA Project No. 12555

Funding Summary Page 2

ILLINOIS FINANCE AUTHORITY								
Professional†	Trustee:	Wilmington	Wilmington Trust, N.A.					
	Servicer:	Greenworks Lending LLC			ien, CT			
	Bond Counsel:	Foley & Lardner, LLP			cago, IL			
Districts U.S. Represent		ative: 13	State Senator: 48	State Repres	sentative: 96			
IFA Fee	Interim financir	ng provided by	Warehouse Fund:		N/A			
	Long-term financing provided by IFA's issuance of bonds or notes:							

[†] 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.



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), lalong 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.illinoissfa.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

 $\frac{http://hopepolicy.org/manage/wp-content/uploads/HOPE-Strategic-Use-of-NMTC-Maximizes-Development-Impact-in-Distressed-Communities-of-the-Deep-South-Brief.pdf}$

³

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?

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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

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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:
 - o Energy burden;
 - o Pollution exposures;
 - Solar and other clean energy access;
 - Clean energy jobs;
 - o Energy resilience; and
 - o 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. 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.

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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 Justice 40 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. These accountability criteria appear to be fairly applicable to other kinds of direct or indirect recipients

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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):

- <u>EmPower Massachusetts:</u> 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.
- <u>Transformative Development Initiative:</u> 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 programing 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., airsealing 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: <u>EFAB</u>

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 <u>here</u>, 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. Lowincome 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 <u>long-term</u> 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-fuelburning 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 create15,324 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, transitoriented 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.



Todd Nedwick (he/him/his)

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U.S. Environmental Protection Agency Environmental Financial Advisory Board 1200 Pennsylvania Avenue, N.W. Washington, D.C. 20460

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 activization. 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



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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 easeof-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



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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



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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.



RICHARD L. KAUFFMAN Chair DOREEN M. HARRIS
President and CEO

December 5, 2022

Governor

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.

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 NYSERDA'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}.

²https://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 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.nyserda.ny.gov/researchers-and-policymakers/green-jobs-green-new-york

⁵ https://www.nyserda.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.

NYSERDA 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

 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 in are 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 statues 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
 - o Cumulative Revenue, Expenses and Income Earned
 - o 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 <u>EJScreen</u> 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,

Sover 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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Jory Fleming
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MPhil Environmental Change & Management, Oxford '19
BS Marine Science & Geography, Geophysics minor, UofSC '17
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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 indepth 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:
 - O 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
 - o 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

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.
 - o 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.
 - o 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.
 - o 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 cobenefits. 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:
 - o 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

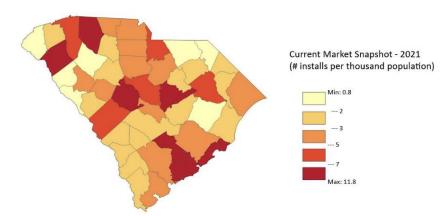


Figure 2: Current market snapshot for distributed solar in SC.

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 fairs poorly in achieving energy efficiency, saving only ~0.35% in energy savings from retail electric sales (half the national average). 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). 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

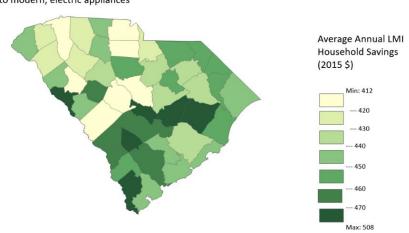


Figure 3: Estimated LMI energy efficiency savings.

- 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. 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. One of these households will be in areas with a low average energy burden.

Energy Burden

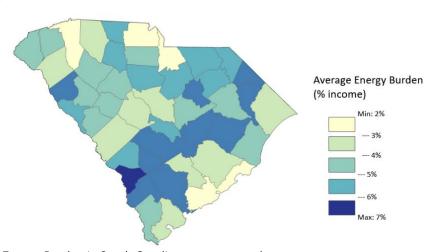


Figure 4: Energy Burden in South Carolina, most recent data, county average.

• 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. These areas also do not always align with geographies that

Department of Energy Office of Economic Impact and Diversity (2022). Justive40 Initiative. [Data set]. https://www.energy.gov/diversity/justice40-initiative

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

financial institutions are incentivized to invest in under the Community Reinvestment Act.¹⁶



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.
- <u>Capacity-building</u>: 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.
- <u>Leverage</u>: 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.
- <u>Collaboration</u>: 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?

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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, disadvantaged and low-income communities were significantly underrepresented in the initial phase of PPP. 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).

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." 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 lowwealth 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.

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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 D. Esles

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 EPAs greenhouse gas reduction goals.



GGRF Comment Letter Page 2 of 2

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





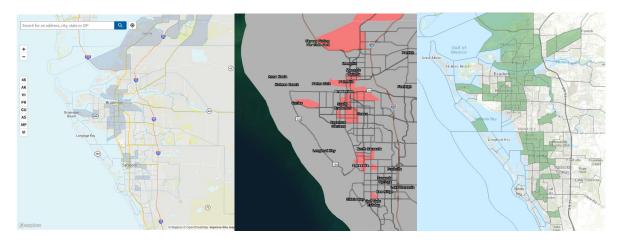
programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?

- 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.
 - O 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.
 - O 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: <u>FEMA National Risk Index</u> 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





o 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 lowincome 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 peoplecentered 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,

Shauna Sylvester, USDN Executive Director, shaunasylvester@usdn.org

Cynthia McCoy, USDN Federal Engagement Director, cynthiamccoy@usdn.org

Meg Jamison, SSDN Executive Director, meg@southeastsdn.org

Ann Livingston, Policy Director, SSDN, Ann@Southeastsdn.org

Michael Dexter, SSRC Director, SSDN, Michael@Southeastsdn.org

The Honorable Michael Regan Administrator U.S. Environmental Protection Agency 1200 Pennsylvania Avenue, NW Washington, DC 20460 The Honorable John Podesta Senior Advisor for Clean Energy Innovation & Implementation The White House 1600 Pennsylvania Ave., NW 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 &

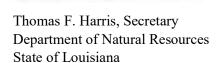
Xalu & Dykes

Environmental Protection

Will Toor, Executive Director Colorado Energy Office WAS

Will Hobert, Chair Illinois Finance Authority/Climate Bank

Velamy



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

Sail Cettall Ref

James Kenney, Cabinet Secretary New Mexico Environment Department

Ramez Ziadeh, P.E., Acting Secretary

Pennsylvania Department of Environmental Protection Vermont Agency of Natural Resources

Julie Moore, Secretary



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 onestop-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 <u>not</u> 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: <u>Linda Norris Waldt</u>

To: <u>EFAB</u>
Cc: <u>Frank Franciosi</u>

Subject: USCC Comment on Zero Emissions/Climate Change \$27B Fund

Date: Monday, December 5, 2022 5:18:49 PM

Attachments: <u>image001.png</u>

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,

(d/b/a Vermont Bond Bank)

Vermont Municipal 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):

- <u>EmPower Massachusetts:</u> 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.
- <u>Transformative Development Initiative:</u> 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 programing 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., airsealing 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.