Comments on EPA's Greenhouse Gas Reduction Fund Implementation Framework

May 12, 2023

These comments offer considerations for EPA's Greenhouse Gas Reduction Fund (GGRF) Implementation Framework. They build upon recent discussions among expert stakeholders with experience in and perspective from academia, NGOs, and the private and public sectors. This group was convened informally by Harvard's Environmental & Energy Law Program. While the stakeholders listed in the footnote[1] may not endorse each element of these comments, each was consulted in the development of these comments and supports their submission for EPA's consideration. None of the listed individuals or organizations intends to apply to EPA for funding under the GGRF.

EPA's proposed Framework is sound and provides an excellent foundation upon which grantees and their partners can deploy resources to maximize emission reductions, improve quality of life and create jobs. The strongest components of the Framework include:

> **Equity** – The Framework goes well beyond the statutory minimum by requiring an additional $2 billion investment in disadvantaged communities, applying Justice40 requirements to each grantee, and requiring applicants to develop an Equity and Community Benefits Plan. This is appropriate and warranted, and the only way to meet Justice40 objectives. Not every policy or program lends itself to directing 40% of benefits to low-income and disadvantaged communities; where agencies have the flexibility to do more they should.
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> **Coherence** – The application requirements for each of the funds aim to drive prospective grantees, sub-awardees and contractors to work together across all three funds to develop coherent and aligned approaches to driving investment in qualified projects, and to do so not in a bubble, but in the context of the full suite of federal, state and local programs, policies and funding opportunities. The required Partnership and Program Linkage Plans, in particular, will enable EPA to assess the capacity of applicants to maximize both the reach and the benefits of the GGRF by leveraging those other resources.
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> **Risk management** – The application components and transparency requirements, especially regarding governance, investment policies, financial model, program administration and organizational plan, are critical to minimize risk and ensure that only competent and experienced actors are entrusted with this enormous public resource. The cap on capitalization funding under the Clean Communities Investment Accelerator

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(CCIA) will prevent unreasonably large capitalization of new entities with little or no experience lending in disadvantaged communities and/or lending for qualified projects. A maximum capitalization funding amount can also serve to diversify the pool of community lender recipients in terms of number, geography, and lending focus.

EPA can strengthen the Framework in several respects:

Technical Assistance – while EPA recognizes the critical need for technical assistance throughout the Framework, the guidance is confusing. Technical assistance is conflated with program administration, it is not clear how dollars could flow to technical assistance providers within each fund, and it is not clear to which fund applicants should apply to develop market support and development resources that can facilitate deployment of all three funds. The Framework should direct applicants in all three funds to describe the market barriers they intend to address, the types of technical assistance they will provide (or commission) to address them, and the networks or other infrastructure they will create to deliver efficient and effective market support and to facilitate continuous and shared learning. The strongest applications will include letters of commitment from technical assistance providers. EPA should also require applicants to provide discrete technical assistance budgets that are segregated from general program administration.

Eligible and Ineligible Technologies – the Priority Project Categories helpfully direct applicants to technologies and market segments that other funding programs do not adequately support, especially when viewed in combination with the Program Linkage Plan requirement. However, there is still a risk that grantees could invest in technologies that do not warrant GGRF support. To prevent this, the Framework should also include a list of Presumptively Excluded Project Categories.

Performance Metrics & Reporting – EPA can better ensure that GGRF investments maximize benefits for low-income and disadvantaged communities by specifying the types of investments it deems beneficial. Investments that benefit all and therefore benefit disadvantaged communities only incidentally, or investments that are located in disadvantaged communities but do not benefit community members, such as the upgrade of a large or class “A” commercial office building, should not qualify against the GGRF equity requirements.

Technical Assistance

Technical assistance is essential to enable communities to access GGRF funds and to build the capacity of lenders to meet GGRF goals. EPA’s guidance must enable the flow of funds to technical assistance providers and require grantees to show how they plan to enlist those providers and ensure that they are able to deliver specified services efficiently and effectively.

The Framework is confusing in this regard. EPA should provide direction as to which fund is intended to support the types of technical assistance that EPA expects applicants to propose,

including assistance (i) to generate a pipeline of projects in which community lenders can invest, (ii) to build the capacity of community lenders to make such investments, and (iii) to coordinate across funds and support program linkages.

Technical Assistance Needs

Pipeline Development	Community Lender Capacity Building	Program Integration

• Community & Customer Engagement
  ○ Education, awareness & marketing
  ○ One-stop shops for referrals to programs, funding, certified contractors
• Project Support
  ○ Incentives to cover non-financeable upfront costs (e.g., health and safety, electrical panel upgrades)
  ○ Identifying suitable technologies
• Ecosystem Development
  ○ Developing contractor network
  ○ Workforce development
	• Project Pipeline
	  ○ Project performance standards
	  ○ 3rd party certification infrastructure
	• Standardized Financial Products
	  ○ Underwriting guidance
	  ○ Standardized documentation
	  ○ Standardized product features
	• Training & Shared Learning
		• Cross-fund collaboration
		  ○ Standardized products serve CDFI and secondary market needs
		  ○ Solar for All programs incorporate Pipeline Development
		  ○ Pipeline Development efforts anticipate the geography of lenders capitalized by CCIA
		• Program Linkages
		  ○ One-stop shops are connected at the state, regional and national level to support shared learning and development of shared resources
		  ○ Solar for All programs and Pipeline Development efforts leverage new and existing local, state and federal funding and programmatic resources

Pipeline Development. Financing alone will not unlock investment in priority technologies for low- and moderate-income households and disadvantaged communities. To overcome persistent market barriers, the GGRF must support technical assistance providers who can proactively work with communities, real estate owners, homeowners, small businesses and contractors to address those barriers and build demand for investment and allow for grants as well as financing. The Solar for All guidance explicitly includes “rebates, subsidies, other incentive payments or loans” as eligible financial assistance (p.44), but the guidance for both the National Clean Investment Fund (NCIF) (p. 14) and the CCIA (p. 30) expressly excludes grants from the definition of eligible financial assistance. EPA should amend this language or otherwise enable grants to support investments in qualified projects in all three programs.

Lender Capacity. Established lenders are well suited to distribute GGRF resources quickly, provided they partner with technical service providers who can help them generate a pipeline of projects, set standards of performance for qualification and certify compliance with such standards. Lenders also need standardized products and services designed for qualified projects, and access to secondary markets to expedite the recycling of funds.

Program Integration. Grantees, sub-awardees and their contractors should work together across all funds to build integrated programs that leverage investments and

resources. For example, Solar for All programs should facilitate access to community lenders and drive comprehensive building upgrades by incorporating federal tax credits and HOMES and HEEHRA efficiency and electrification funds. Pipeline development efforts should connect communities and customers to Solar for All programs as well as community lenders. Developers of standardized financial products should work with community lenders who will use the products directly as well as secondary market actors who will later purchase the loans, to ensure the terms work for both. Grantee program integration efforts should ensure that no community lender deploying GGRF funds is unaware of state and local program offerings and technical support resources.

EPA guidance should also make clear which GGRF fund it expects to support each type of technical assistance. The Framework's Executive Summary helpfully states that "Each competition is designed to facilitate market transformation by addressing the barriers to mobilizing private capital into clean technology projects in undercapitalized markets. Funded activities could include facilitating market readiness for private investment, developing a pipeline of private co-investment-ready projects, and overcoming coordination problems that prevent private capital from flowing into investment-ready projects at scale." (p. 4) But it is not clear how applicants should secure the funds to support these activities.

Technical Assistance Components by Fund

Solar For All	National Clean Investment Fund	Clean Communities Investment Accelerator
• Program Integration • Pipeline Development	• Program Integration • Pipeline Development • Secondary market • Standardized financial products	• Program Integration • Pipeline Development • Lender training • Standardized financial products

Solar for All. EPA's guidance envisions a programmatic approach to deploying GGRF resources, which readily incorporates pipeline development activities. The guidance already requires applicants to develop Program Linkage Plans (e.g., with other IRA and IIJA funded programs, including HOMES and HEEHRA), but should also explicitly require applicants to describe how their SFA programs will incorporate, or leverage pipeline development activities funded through the NCIF and CCIA.

National Clean Investment Fund. The NCIF guidance indicates that EPA "expects to allow a limited amount of funds for predevelopment expenditures . . . to fund site assessments, financial feasibility studies, and other pre-development activities." (p. 14) The guidance should give lenders flexibility to determine predevelopment expenditures provided they ensure that they are reasonable and directly related to the implementation of greenhouse gas reducing technologies.

Funding for owners' representatives is particularly critical for project origination in disadvantaged and low-resourced communities. Building owners, community representatives and lenders currently serving the clean energy market in disadvantaged communities consistently report the need for trusted advisors who can lead them through the process of renovation, provide energy audits, energy savings and financial analyses, cost comparisons, technology expertise, and connections to certified contractors.

But funding for owners' representatives is not sufficient if a cadre of expert providers is not readily available in the geographies that GGRF-funded community lenders will operate. That is why EPA's guidance should expressly allow and encourage applicants to propose broader market development activities, and to engage existing project-development organizations and enable them to grow operations, partnerships and resources (including technology-driven solutions) and customize offerings to directly support a greatly expanded set of communities and community lenders. Support for networks will enable service and resource providers to leverage and replicate their work within and across regions. While the CCIA could also support the development of such resources, it does not provide sufficient funds within the 5% available for centralized services (after program administration and lender capacity-building investments).

Mission-driven organizations are already working to deliver clean energy technologies to low- and moderate-income households and to residents, small business and community facilities in disadvantaged communities. EPA guidance should expand the definition of technical services that grantees can provide (or otherwise clarify the eligibility of market development investments) and encourage them to build on this experience and put forth innovative strategies to replicate and scale what already works.

With respect to lender capacity-building, EPA guidance should reflect the expectation that CCIA and NCIF applicants will collaborate to ensure that underwriting guidance and standardized products and protocols meet the needs of community lenders and secondary market buyers.

For both pipeline development and lender capacity-building, EPA should direct applicants to describe how they will deliver (or contract for) technical assistance that is effective, efficient and centralized, and to provide discrete budgets that are separate from general program administration.

Clean Communities Investment Accelerator. The CCIA guidance includes the same provision for predevelopment expenditures found in the NCIF and identifies "technical assistance sub-awards (no more than $625,000 per community lender), and technical assistance services to community lenders . . . with at least 95% of grant funds passing through directly to community lenders." (p. 25) Technical assistance sub-awards may be used for a broad array of activities, including "training for management and other personnel; developing new programs, products, and services; establishing technical assistance programs to create pipelines of financeable projects." (p. 29) Technical assistance services, which grantees or their contractors can provide at scale, also include training for management, as well as market analysis and programming to share best practices.

With respect to lender capacity building, the Framework structure makes sense. The 5% carve out should be more than sufficient for program administration and the provision of centralized support for the creation of standardized materials, training programs and the like. As noted above, EPA guidance should reflect the expectation that CCIA and NCIF applicants will collaborate to ensure that underwriting guidance and standardized products and protocols meet the needs of both community lenders and secondary market buyers. As with the NCIF, EPA should direct CCIA applicants to describe how they will deliver or contract for technical assistance that is effective, efficient and centralized, and to provide discrete budgets for technical assistance that are separate from general program administration.

The technical assistance sub-awards also seem sufficient in scale to support the internal training and integration of products and materials into operations that lenders must undertake directly.

What does not appear to be sufficient, at least as the Framework is currently drafted, is funding for the full suite of activities needed for community and customer engagement, project origination and ecosystem development. As in the NCIF, important project origination activities such as support for owners' representatives can be covered with support for predevelopment expenditures, but much more is needed to enable these emerging markets to flourish and fully realize the GGRF potential. EPA could increase the percentage of funds available for technical assistance within the CCIA, but not without reducing funding to capitalize lenders. It makes more sense to deploy NCIF resources to provide the centralized services needed to engage communities and customers to develop pipelines of qualified projects, as long as those services support participants in all three funds.

Eligible and Ineligible Technologies

As a corollary to priority project categories, EPA should explicitly identify specific project categories that it presumes to be ineligible absent a strong showing that such investment advances GGRF program goals. Alternatively, the Framework could simply state that any technology outside of the priority categories will face such a rebuttable presumption.

A list of Presumptively Excluded Project Categories should include utility-scale renewables, transmission, investments that extend reliance on fossil-fuels in power plants (e.g., carbon capture and storage) and buildings (e.g., combined heat and power, renewable natural gas) as these do not warrant GGRF support for a variety of reasons: access to capital is not a barrier; existing policies and programs provide sufficient funding; funding does not address barriers and will not drive additional investment; and extended reliance on fossil fuels is in conflict with GGRF goals.

A presumption of exclusion should also apply to market segments for which access to capital is not a barrier: for-profit corporations, large or class "A" commercial and industrial customers.

Performance Metrics & Reporting

EPA guidance should develop a template of formulas and performance metrics against which grantees, third party evaluators and EPA will measure success. This will ensure that grantees present consistent data on an equivalent basis, enabling EPA and the public to assess performance broadly across all awardees and sub-awardees. Metrics should be based on quantifiable impacts, such as tons of greenhouse gas avoided per dollar of public funding, and number of homes receiving specific upgrades, and EPA should require grantees to provide them on both a project-level and portfolio-basis.

EPA should also require grantees to hire third-party expert evaluators to develop detailed metrics, reporting protocols, and an evaluation plan and process. This independent review is important to ensure lender accountability and should be done periodically to assess impacts, especially additionality and market transformation, which require market analysis and validation beyond simply compiling transaction data.

EPA should establish specific requirements related to investments in low-income and disadvantaged communities. It is not sufficient for a project to simply be located in a low-income community, or to generate jobs which low-income people may be able to access; qualifying investments must demonstrate as a threshold matter that projects will deliver meaningful, verifiable benefits to disadvantaged households and community members, such as greater thermal comfort, access to cooling, improved air quality, lower resident energy bills, and resilience against impacts of climate change. Grantee and sub-award criteria should screen out gentrification projects and those that deliver only negligible benefits.

Equity impact reports should include actual investments in disadvantaged communities (not commitments for investments that have not been made) and the benefits they are projected to deliver, such as number of communities and households served, number and types of measures delivered, benefits to community members delivered, and projected energy and bill savings, as well as dollars committed and invested. Reports should also track progress towards market transformation, for example, creating a replicable precedent, advancing a body of data to validate an underwriting to savings methodology, or crowding-in impact capital. Reports should reflect the current outstanding balance of grantee or sub-awardee portfolios that constitute qualifying investments and provide breakdowns by type of investment, end-user category and technology.

Sample Performance Indicators

Category	Metrics
Environmental	• GHG eliminated • Energy saved • Particulate matter • Performance realization rate (actual environmental savings to projected savings)
Financial	• Total project cost • Capital mobilization ratio or capital multiplier • Return on investment • Committed funds • Deployed funds • Overall portfolio size • Portfolio concentrations • Number of jobs
Project types	• Type of technologies • Energy cost savings (projected and actual) • Number and type of GGRF-supported projects financed • Number and type of GGRF clients and lending partners • Buildings sector (type, # of housing/ affordable housing units) • LMI census tract

Equity impact	• Economic
	  ○ Jobs created
	  ○ Number of workforce development trainings
	  ○ Energy poverty / cost burden
	  ○ Energy cost savings
	• Health (asthma, COPD rates, ER visits, air quality in EJ areas)
	• Buildings sector (building type, housing quality, age)
	• Socio-economic
	  ○ Income (census tract, household)
	  ○ Education level
	  ○ Historical redlining score

Additional Recommendations

Several minor adjustments would further strengthen the Framework:

- The Solar for All program will require applicants to file a notice of intent, presumably to alert municipalities and non-profits to opportunities in geographies where a state will not apply. Even though the NCIF and CCIA do not face the same situation, it would be useful to all potential applicants to know who intends to apply to these funds so they can identify early opportunities to coordinate, avoid overlap, join forces or withdraw.
- The NCIF guidance does not require the showing of organizational experience that is required for CCIA applicants (p. 37), presumably due to the expectation that for the NCIF, coalitions will create new entities to function as lead applicants, and those entities

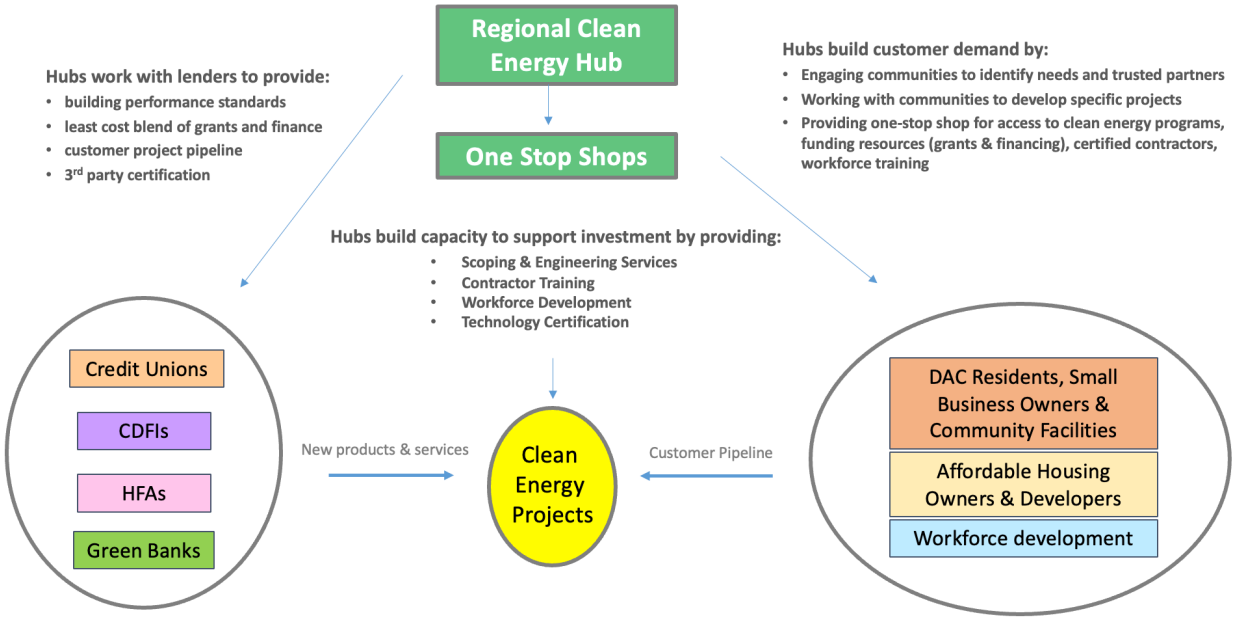
will not have an organizational track record. While this may be the case, EPA should still require all or some of the coalition members to provide information on organizational experience, to ensure that the coalition has a track record that demonstrates the skill and experience necessary to execute the plans included in the application.

- While it is important to limit the amount of capitalization under the CCIA, EPA should provide some flexibility to applicants to provide more than $5 million if that will enable them to engage additional promising lenders, for example by treating the $5 million as an average rather than a fixed limit. The Framework should also make clear that the $5 million is not provided as an end in itself, but in the context of a capacity-building accelerator that is designed to enable lenders to qualify for substantially greater funds through the NCIF.
- EPA should establish a definition of “leverage” and a methodology for assessing it that is difficult to game, so that all grantees use the term the same way and report meaningful and accurate information.

APPENDIX

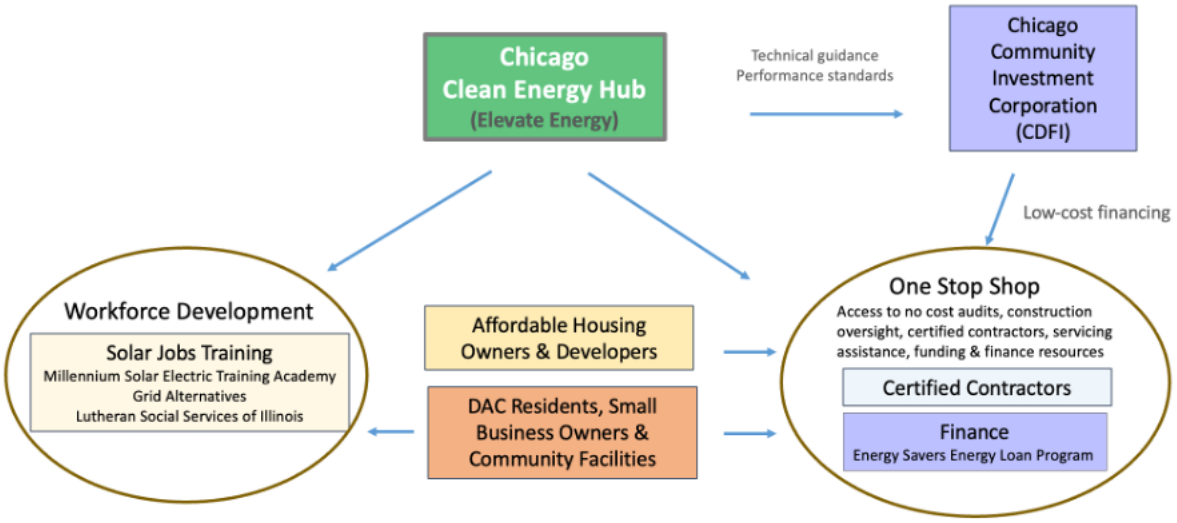
For reference, below are illustrations of different types of technical assistance and how they might flow, and examples of replicable models, which were included in our GGRF RFI Comments dated December 5, 2022.

Clean Energy Hub & Lender Collaboration



Scalable Clean Energy Hub Example

Chicago's Energy Savers program, a collaboration between Elevate Energy and the Community Investment Corporation, provides a one-stop-shop to help multifamily building owner improve efficiency and reduce tenant energy costs. The program includes a free energy assessment, access to utility rebates and incentives, support finding skilled contractors, construction oversight and assistance with equipment maintenance. Owners can provide better comfort and value to tenants (and reduce vacancies), lower utility bills, and increase both rental and net operating income.



Replicable Technical Assistance Hub – HFA Partnership Example

Vermont and New York have launched programs designed to drive efficiency and electrification as part of the normal building upgrades that owners regularly make in connection with periodic refinancing. State housing finance authorities (HFAs) can require building owners to comply with high-efficiency, electrification-ready or net-zero emission building performance standards as a condition of refinancing. The HFAs work with their expert technical assistance partners to develop the standards, and to provide the incentive, finance and technical assistance packages that will enable owners to comply with them.