

EFAB Charge Greenhouse Gas Reduction Fund

Problem / Question Statement

The Inflation Reduction Act of 2022 amended the Clean Air Act to create a new program – the Greenhouse Gas Reduction Fund. The Greenhouse Gas Reduction Fund includes: (1) \$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, and to carry out other greenhouse gas emission reduction activities; (2) nearly \$12 billion dollars for competitive grants to eligible entities to provide direct and indirect financial and technical assistance to projects that reduce or avoid greenhouse gas emissions; and (3) \$8 billion for competitive grants to eligible entities to provide direct and indirect financial and technical assistance to projects that reduce or avoid greenhouse gas emissions in low-income and disadvantaged communities. These \$27 billion dollars are available to EPA to award grants until September 30, 2024.

EPA seeks the advice of the EFAB regarding the following questions. For each charge question, the EFAB should provide a range of options (including research and literature references and other resources, where available), outlining their advantages and disadvantages.

I. Objectives

- A. Environmental Justice/Definition of “low income and disadvantaged communities”
 - 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?
 - 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?
 - 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.
- B. Program Efficiency
 - 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?
 - 2. Are there programs/structures at the federal or state level that could effectively complement the Greenhouse Gas Reduction Fund? How can EPA best leverage 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?

II. Program Structure

- A. Eligible recipients.
 - 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.
 - 2. 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?
- B. Eligible projects.
 - 1. What types of projects/sectors/market segments could EPA prioritize for funding through the eligible recipients?
 - 2. Considering each major project type/sector/market segment, discuss:
 - i. What are the barriers to private sector capital?
 - ii. 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.
 - iii. What project-level gaps could the Greenhouse Gas Reduction Fund fill for which types of projects? 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.
 - iv. 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?
 - 3. What types of contracting vehicles and structures will best support rapid deployment of clean technology solutions and direct involvement of the private sector, including in supporting disadvantaged communities?
- C. Structure of Funding. 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?

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?
- B. What types of requirements could EPA establish to ensure the responsible implementation and oversight of the 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:
(i) accountability to low-income and disadvantaged communities; (ii) GHG emission reductions;
(iii) leverage and recycling of the grants?

EFAB Mission Fit

EFAB's mission is to explore ways to lower costs and increase investments in environmental protection. The GHG has the potential to create valuable new capacity through existing and new channels for funding greenhouse gas reductions, and to specifically deliver gains to disadvantaged communities where GHG solutions are often compromised by high financing risks (capacity for repayment, access), lack of clear delivery systems (ability to reach beneficiaries) and awareness of potential solutions. These areas represent major segments of potential environmental harm and related benefits.

Type of EFAB Engagement

EFAB is positioned to assist EPA by providing focused guidance to EPA on strategies for establishing and developing the GHGRF.

EFAB is comprised of experts across many segments of environmental finance and program delivery. EFAB members have deep experience and broad networks that can be quickly leveraged to provide focused advice to EPA around a critical and rapidly moving agenda. EFAB capacity can provide immediate, actionable solutions that increase potential success around the GHG program.

Approach

Convene (fast) expert roundtables or listening sessions around topics that will inform implementation of the GHGRF and summarize key takeaways and recommendations. Orchestrate specific conversations that reach audiences not otherwise readily accessible to internal EPA staff. Take specific reference from private equity and venture capital fund-of-fund models and philanthropic "venture fund" models that have been successful over time in delivering capital to emerging fund managers.