Public Comments Received for Environmental Financial Advisory Board

October 2022 Meeting

Written Comments

- Community and Green Finance Practitioners Collaborative
  COMMENT: (attached)

- Beth Lipson, Opportunity Finance Network
  COMMENT: (attached)

- Cathie Mahon, Inclusiv
  COMMENT: (attached)

- Anne McKibbin, Elevate
  COMMENT: (attached)

Oral Comments

- Adam Kent, Natural Resources Defense Council
  (Comments scheduled for October 18th)
  TOPIC(S): Greenhouse Gas Reduction Fund design and implementation
  ADDITIONAL WRITTEN COMMENT: (attached)

- Gregory M. Baird, Aging Water Infrastructure
  (Comments scheduled for October 18th)
  TOPIC(S): Building "capacity" and affordability via OPEX grants, SaaS technologies, and infrastructure asset management requirements, ESG concerns, and watershed/sewershed ad hoc regionalization "one water" co-ops
  ADDITIONAL WRITTEN COMMENT: (attached)

- Dave Harris, Colorado Clean Energy Fund
  (Comments scheduled for October 18th – in person)
  TOPIC(S): Greenhouse Gas Reduction Fund and the plan for a National Green Bank

- Kevin S. Minoli, Alston & Bird LLP
  (Comments scheduled for October 18th – in person)
  TOPIC(S): Greenhouse Gas Reduction Fund
  ADDITIONAL WRITTEN COMMENT: (attached)

- Monique Harden, Deep South Center for Environmental Justice
  (Unavailable for comment - Comments scheduled for October 19th)
  TOPIC(S): Funding community-led solutions to remedy environmental racism

- Andrew Kessler, New York Green Bank
  (Comments scheduled for October 19th)
  TOPIC(S): Greenhouse Gas Reduction Fund
  ADDITIONAL WRITTEN COMMENT: (attached)

MEMO

DATE: October 11, 2022

FROM: A collaborative of community and green finance practitioners, including:

- Beth Bafford, Calvert Impact Capital
- Susan Leeds, Garrison Associates, founding CEO of New York City Energy Efficiency Corporation
- Jessica Luk-Li, Climate Impact Advisors
- Sadie McKeown, Community Preservation Capital
- Esther Toporovsky, Housing Partnership Development Corporation

TO: The Environmental Finance Advisory Board of the Environmental Protection Agency

RE: Leveraging the community finance industry to ensure the Greenhouse Gas Reduction Fund supports an equitable clean energy transition with immediate impact on household budgets, community health, and quality job creation in low-income communities

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Executive Summary

The Greenhouse Gas Reduction Fund (GHGRF) has the potential to seed, support, and finance local, state and regional activities to drastically reduce greenhouse gas emissions in support of the U.S.'s climate commitments. This landmark legislation is vital to creating an equitable, cross-sector, and collaborative approach to accelerate decarbonization in communities and for populations that have otherwise not benefited from the transition to a clean economy.

The climate crisis is too big and too urgent to take chances on execution. We need to incorporate lessons from across the public, private, and social sectors to do this once and do it right. We need to leverage existing capital infrastructure wherever it exists. We need to finance the deployment of existing technologies and strategies – solar, storage, wind, building electrification, electric vehicles – as widely as possible while supporting our energy infrastructure to prioritize stability, security, access, and affordability.

We are beginning to see an increased level of activity and commitment from the public and private sectors focused on addressing emissions reductions across the U.S. economy to build a net-zero future. If we are going to accelerate the pace of adoption and scale while promoting environmental and energy justice objectives, getting money into markets where it is not currently flowing is critical. We need a coordinated strategy executed by a broad network of community-based lending and finance organizations that currently exist across the country.

This brief memo introduces the community development finance industry to make the case that the many organizations within it are well-positioned to implement the Greenhouse Gas Reduction Fund to meet the legislation's intent: **a targeted and equitable transition that immediately benefits American families while supporting a drastic reduction in GHG emissions.** Mission-based lenders from the community finance sector provide financing for

consumers, housing, small business, community facilities, and renewable energy projects in low-wealth communities in every state in the country. They stand ready to act as crucial funding links for decarbonization in the communities they serve.

We see two main drivers of achieving the GHGRF's ambitious goal: activation of demand for clean solutions and flexibility of capital to drive broad adoption.

Activation of Demand: In the absence of regulation, there is currently little to no consumer demand to implement greenhouse gas reduction technologies, especially in low-income and disadvantaged communities. GHG reduction technologies often represent an additional cost and that cost is often perceived as an unnecessary expense. In addition, financial products are not currently including the requirement for GHG reduction in the products they offer their customers.

The Inflation Reduction Act was passed to create the incentives to drive that demand and finance GHG reduction in an economically and environmentally just way. To effectively reach people, we recommend working with lending organizations that already exist to support low-income and disadvantaged communities and have the capacity, trust, networks, and know how to blend economic incentives with the right products and services.

Flexibility of Capital: In addition to meeting demand requirements, it is imperative that the GHGRF capital is flexible in its use and tools available. 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. Lenders need flexibility to blend GHGRF capital with other sources at the home, project, balance sheet, and community level. Flexibility, however, does not mean that these funds should not come with the highest levels of accountability to ensure maximum GHG emission reductions and the delivery of real-life co-benefits to meet the spirt of the Act.

To effectively bring supply and demand together to meet the capital needs of disadvantaged communities, community-based lenders have the patience, the trust, the capability and the mission to direct this capital appropriately. Historically, community lenders have served as a model for the private sector to show them how to approach difficult to finance markets and drive investment to scale.

In summary, this letter conveys the following:

- Community finance organizations are already active in the GHGRF's target communities across the U.S. providing access to affordable and flexible financial products and services that can easily be adapted to include the adoption of greenhouse gas reduction. Many of them offer quality green products today;

- Community finance organizations have done the hard work of building trust in these communities which will be critical to change household, business, and community-level behavior and drive demand;

- Community finance organizations have a long history blending different sources of funds to drive adoption and demand that will be critical in addressing the current cost barriers

preventing adoption of GHG technologies today, especially impacting the multifamily, energy efficiency, electrification, low-income solar, and electric vehicle industries. Cost barriers cannot be overcome with financing alone and require a deft combination of subsidized financing, forgivable loans and cash incentives;

- Community finance organizations have a proven track record managing public funds and leveraging private capital to drive results, with the highest levels of transparency and reporting. This track record will be critical so that the EPA can be confident deploying the funds flexibly.

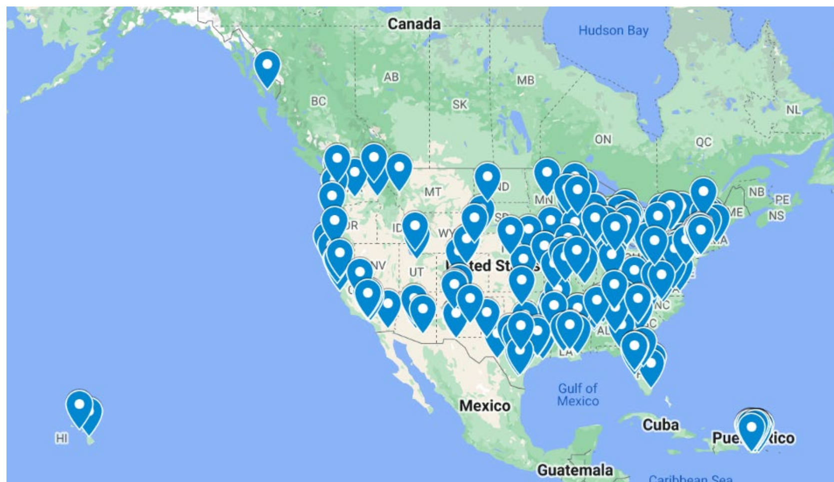
As the Environmental Finance Advisory Board works with the EPA to discuss, develop, and design the implementation of the Greenhouse Gas Reduction Fund, we hope this memo provides a helpful landscape of the infrastructure that currently exists and is ready for activation at scale. We welcome more detailed discussions about strategy and execution if and when it is helpful.

I. There are a wide variety of community-based organizations providing access to affordable financial products and services to low- and moderate-income households, businesses, and communities, all of whom qualify as direct or indirect investees under the Greenhouse Gas Reduction Fund provision.

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 Community Development Financial Institutions (together, "CDCUs"). These CDCUs have a combined $220 billion in assets and provide access to quality, affordable financial products and services to their cumulative 15 million members. There are CDCUs in all 50 states and many in Puerto Rico and other territories. Many CDCUs have been lending in their communities for more than thirty years and have developed deep trust and relationships with their members.

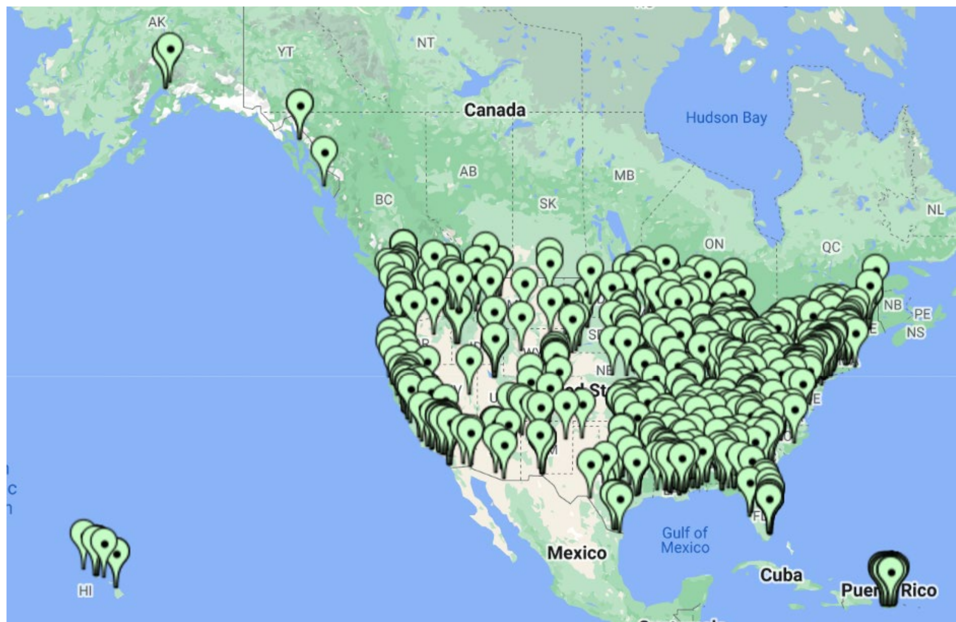
Map of CDCUs across the country



Community Development Financial Institutions

There are 1,378 organizations designated as Community Development Financial Institutions across the US, of which 573 are structured as loan funds ("CDFI Loan Funds"), the majority of which are non-profit organizations. There are also more than 60 certified Native CDFIs located in 23 states. CDFIs have a combined $200 billion in assets, of which CDFI Loan Funds have approximately $25 billion in assets and provide access to quality, affordable financial products and services to their defined "target markets." The industry is designated by and reports to the U.S. Treasury Department. CDFIs exist to support low- to moderate-income communities' investment and financial needs. At least 60 percent of any CDFI's lending must go to benefit their target market every year. There are CDFIs in all 50 states, the District of Columbia, and U.S. Territories and there are numerous CDFI Loan Funds with a national footprint.

Map of all certified CDFIs across the country (pins are headquarters)



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.

Non-profit real estate and solar developers

There are thousands of non-profit developers of affordable housing and/or solar projects across the country. A subset of some of the largest housing developers have developed a combined $20B in real estate for the benefit of low- and moderate-income communities. These developers are active in all of the 50 states and many have a national footprint.

Many of these developers have been developing affordable housing for decades and solar for the past 10+ years and have built deep trust and relationships in the communities they serve. They have active portfolios of properties – with hundreds of thousands of units of affordable housing – that could be rapidly decarbonized with access to the right resources.

Specialty finance organizations

In addition to all 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- and moderate-income communities. These include organizations like:

- PosiGen, a solar finance organization, works to make solar affordable and easy to access through their solar leasing program, especially for low-income communities.
- Solstice, a community solar organization, organizes and enrolls low-income subscribers so they can benefit from affordable solar gardens
- Sunwealth, a clean energy investment firm that finances and manages solar projects in and for low-income communities, partnering with local installers and community-based organizations to drive cost savings, carbon reduction, and quality job creation.
- Sustainable Capital Advisors, a specialty financial advisory firm connecting investors with clean energy infrastructure
- Urban Ingenuity, a specialty finance firm that pairs technical support with innovative financing to support local solar and energy efficiency projects

…among many others, who are active in communities across the country and would be critical to support and activate to meet the goals of the GHGRF.

II. These community finance organizations provide financial products and services that are (a) driving the reduction of GHG emissions in low- and moderate-income communities or (b) could be quickly adapted to drive the reduction of GHG emissions in low- and moderate-income communities.

Consumer loans

There are more than $40 billion in consumer loans currently in the portfolios of the community finance organizations listed above, largely made by CDCUs. Many already offer green lending products, but all of the products below can 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.

Existing product	*Green product(s)*
Unsecured consumer loans for home upgrade or repair	• 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
Secured auto loans to purchase new or used vehicles	• Secured auto loans for new or used electric vehicles
Home mortgages	• “Green” mortgages that provide pricing incentives for homes purchased that meet certain low-carbon standards

Small business loans

There are more than $20 billion in small business and commercial real estate loans currently in the portfolios of the community finance organizations listed above, largely by CDFIs and CDCUs. Many already offer green lending products, but the following products can be adapted to support renewable energy and energy efficiency for the country’s 30 million small businesses with the help of low-cost capital, technical assistance, credit enhancement, and grants from the GHGRF.

Existing product	***Green product(s)***
Secured small business loan for building renovations or upgrades	• 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
Equipment financing	• Equipment financing for EV or more fuel-efficient long-haul trucks • Equipment financing for more efficient or renewable industrial equipment
Agriculture financing	• Working capital loans to finance the adaptation of sustainable farming practices • Purchase of additional farmland to expand regenerative agriculture

Housing and facility loans

There are more than $45 billion in multi-family housing and community facilities (e.g., schools, health centers, community centers, etc.) loans currently in the portfolios of the community finance organizations listed above, largely by CDFI banks and loan funds. Their products below can continue to 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 GHGRF.

Existing product	***Green product(s)***
Pre-development and acquisition financing	• 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
Construction financing for new construction or substantial renovation	• 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
Permanent financing for buildings	• "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.

Solar development

There is $1-2 billion of lending or investment that community finance organizations have provided to develop household rooftop, commercial, and/or community solar for the benefit of low- and moderate-income communities. The following products are already in the market and could be dramatically expanded with access to the right mix of grants and low-cost, long-term debt.

Green product(s)
• 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

III. The Inflation Reduction Act includes many incentives for clean technologies that will not reach low- and moderate-income communities if they are not paired with an attractive package of support, including no- or low-cost financing and technical, hands-on services, through trusted partners.

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 with hands on technical support provided through trusted local institutions.

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 especially true if this offer is provided by a credit union 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 incentive for the contractor to ensure they focus on providing services in low-to moderate-income communities.

For building owners and developers, changing behavior and influencing design remains a challenge unless paired with economic incentives and hands-on support. Developers of multi-family housing and other commercial buildings will have access to new incentives but will be unlikely to take advantage of them unless they are packaged in a way that meets the developer or owner where they are. Construction, C-PACE, and mortgage lenders to these properties should leverage funds from the GHGRF to provide a combination of low-rate financing and technical support to create a near friction-less process. This provides the developer or owner with clear instructions of how to adapt design to meet the lowest-carbon standards and offsets any upfront increases in costs with an overall reduction in their cost of financing.

We know behavior change, especially for things in people's lives that aren't necessarily "broken" like their gas-fueled car, existing HVAC systems, or current business practices, take very intentional, economically attractive, and relationship-driven approaches to be successful.

IV. The success of this legislation will be dependent on the funds coming out of the federal government in a way that intermediaries, local lenders, and community-based organizations can flexibly deploy and use.

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 GHG and allow the lenders in the program to determine how to use that capital to create and enhance products to reach it.

For example, it will be critical for funds invested in low-income and disadvantaged communities that Davis Bacon requirements are not applied to the end project, business, or asset. These requirements have greatly hindered previous programs from reaching the Act's targeted communities.

For the EPA to get comfortable with deploying funds flexibly, they must recognize 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 organizations in the community finance industry have decades of experience taking federal, state, and local government funds with extremely minimal waste, fraud, or abuse. For example, the amount of fraud in large and quickly implemented government programs like the Paycheck Protection Program (PPP) is staggering when the flexibility/accountability balance is off kilter. But the PPP funds deployed by CDFI lenders have been shown to have greater reach into low- and moderate-income communities with much lower levels of fraud and abuse (more detail on PPP in the appendix). Similarly, defaults for first time homebuyers working with local non-profit lenders have a significantly lower default rate than that of other mortgage lenders because of the hands-on and personalized lending approach.

V. The quickest way to ensure that the Greenhouse Gas Reduction Fund reaches low- and moderate-income communities to reduce their household energy costs, improve their air quality and health, and mitigate climate change is to leverage this existing infrastructure and allow community lenders to provide a mix of grants and affordable capital to low-income and disadvantaged communities.

Taken together, 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, allowing rapid mobilization of new products and the sharing of best practices across the entire field.

We highly recommend that this industry is allocated a sizable portion of the EPA GHGRF awards to complement the work of other lenders looking to drive green technology and broader private capital market transformation.

APPENDIX A: Background of author organizations

About Calvert Impact Capital

Calvert Impact Capital is a global nonprofit investment firm that helps all investors and financial professionals invest in solutions that people and the planet need. During its 27-year history, it has mobilized over $4 billion of investor capital from more than 20,000 investors into more than 500 community finance organizations in the US and over 100 countries. Every dollar lent or invested is leveraged at least 30 times, catalyzing more than $7 billion annually into communities.

Over the last three years, Calvert Impact Capital has expanded to offer a suite of products and services to support the scaling of impact markets, including two new products, one focused on reducing carbon in commercial buildings and one supporting unbanked small businesses. These products will leverage traditional financial structures to drive deeper impact at institutional scale. Calvert Impact Capital also offers loan syndications and capital advisory services, including consulting on and structuring loans for institutional and accredited lenders seeking environmental and social impact. Since 2018, Calvert Impact Capital has arranged more than $750 million of capital for private impact transactions.

About Climate Impact Advisors

Climate Impact Advisors provides strategic advice to environmental lenders, government, and non-profits. Our mission is to accelerate the development of green financing markets in order to fight climate change. As former green bank practitioners, we bring our firsthand experience to address the unique and complex challenges facing policymakers and mission-driven financial intermediaries.

About Community Preservation Corporation

CPC is a nonprofit multifamily finance company that was founded in 1974 to provide financial resources to stabilize and revitalize underserved communities. Today, CPC uses its unique expertise in housing finance and public policy to expand access to affordable housing and drive down the costs of housing production, advance diversity and equity within the development industry, and impact the effects of climate change in our communities through the financing of sustainable housing. Since its founding, CPC has invested over $14 billion to finance the creation and preservation of more than 225,000 units of housing through its lending and investing platforms. CPC is a carbon-neutral company and has been rated AA- by S&P.

About Housing Partnership Development Corporation

The Housing Partnership serves as New York City's primary not-for-profit intermediary for the development of new and rehabilitated affordable housing. For almost four decades, the Housing Partnership has facilitated partnerships among private sector developers and financial institutions and City, State and Federal agencies, resulting in the development of over 60,000 affordable homes. This stimulates economic activity and revitalizes neighborhoods.

About Susan Leeds and Garrison Associates

Susan was the founding CEO of the New York City Energy Efficiency Corporation (NYCEEC) for eight years where she still serves on the Board and Executive Committee. NYCEEC was one of the first green banks in the country. Susan is also a consultant to green banks, NYSERDA, the Massachusetts Clean Energy Center, energy resource hubs in various jurisdictions, and early and growth stage clean tech companies.

APPENDIX B: Lessons from the Paycheck Protection Program

When COVID hit our economy in March 2020 and tens of millions of small businesses across the country shut down, we got a rare, system-wide glimpse of the glaring shortcomings in our banking system. If the banking system was an electric grid – connecting capital from the sources to individual businesses – we learned quickly that a massive share of our economy was in the dark.

The federal government's response for small businesses was mostly through the Paycheck Protection Program (PPP), which was set-up to distribute funds through banks to existing customers. What the federal government failed to contemplate was that the vast majority of the country's 30 million small businesses are not banked by a traditional financial institution and thus had an extremely difficult time accessing these critical relief funds.

A recent analysis of the Paycheck Protection Program (PPP) found that seventy two percent of PPP funds were captured by households with incomes in the top twenty percent, adding to study after study that show the enormous disparities in its distribution.

PPP in its initial form was not set-up for community finance organizations to actively participate. It wasn't until the enormous disparities came to light that the SBA and the Federal Reserve changed their policies accommodate more non-bank lenders. The SBA started creating set-asides for CDFI lenders and the Federal Reserve opened up its PPP Liquidity Facility so that CDFIs could sell loans to the Fed in the same manner as traditional banks. Once these policy changes were implemented, there was an enormous increase in PPP lending from certified CDFIs, who ended up doing more than $34 billion of PPP loans throughout the program.

Overall, CDFI lenders were much more successful at reaching the smallest, community-based businesses and businesses located in low-income communities. CDFIs did nearly 80 percent of their lending for less than $150,000 loan sizes versus a program average of 50 percent and 40 percent of CDFI lending went to low-income communities versus a program average of 28 percent.

PPP and other COVID relief and recovery programs provide a relevant and recent test case of how to leverage government support to scale lending in low- and moderate-income communities to support populations that exist outside of the traditional finance sector. The Biden Administration was wise to lean on CDFIs as a critical distribution channel to drive their desired reach and results.

Sources:

CDFI Fund ACR Report. https://www.cdfifund.gov/sites/cdfi/files/2021-10/ACR_Public_Report_Final_10062021_508Compliant_v2.pdf

CDFI Fund Certification List as of 9.14.22. https://www.cdfifund.gov/sites/cdfi/files/2022-09/CDFI_Cert_List_09_14_2022_Final.xlsx

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

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

October 11, 2022

Dear Administrator Regan:

On behalf of Opportunity Finance Network (OFN) 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 (GGRF) reaches the underserved communities most impacted by climate change. I would also like to request a meeting with the appropriate EPA leadership to discuss how CDFIs can help GGRF achieve the Biden-Harris Administration's policy goals.

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.[1]

CDFIs and the Federal Government: Partners in Advancing Environmental Justice

The Environmental Protection Agency (EPA) has an opportunity to design a GGRF application process that ensures good stewardship of these public funds. To achieve the goals of the GGRF, it is critical the providers of these funds have a track record of serving low-income communities, not just a history of providing green products.

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 GGRF capital reaches low-income and disadvantaged communities requires partnering with financial institutions that already have the trust and relationships on the ground.

The CDFI Model: Investing in Communities Other Lenders Overlook

[1] Opportunity Finance Network, "Inside the Membership: Statistical Highlights from OFN Membership: 2020", Published April 14, 2022. Accessed July 1,2022. https://cdn.ofn.org/uploads/2022/04/14153742/OFN_Inside_The_Membership_FY2020.pdf

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.[2] 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.[3] 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.[4]

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.[5] CDFIs will be able to leverage capital from the GGRF with other funding, deepening its impact.

CDFI Green Lending in Underinvested Markets

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[2] Loethen and Fabiani, "Persistent Poverty and the Prevalence of CDFIs", OFN, (2021).
[3] 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: 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.
[4] 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
[5] 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.

The nation's network of CDFIs has tremendous capacity to address the energy and environmental challenges facing economically distressed communities. In 2020, OFN members originated more than $8 billion in financing, with a majority of members indicating they offer green financing products.

As noted above, CDFIs MUST lend or invest in low- and moderate-income communities as a condition of maintaining their certification with the CDFI Fund. While some green banks invest in low-income neighborhoods, they are not required to do so and, in some instances, may lack the community relationships needed to ensure this capital reaches low-income and disadvantaged communities. The urgent need to curb emissions in low-income communities must not be left to chance – EPA needs to work with CDFIs to ensure these funds reach targeted communities.

Federal Programs that Partner with CDFIs Reach More Underserved Markets

The GGRF should be designed with an intentional focus on low-income, climate-impacted communities and the mission lenders that serve them. The Paycheck Protection Program (PPP) experience demonstrated that when affordable capital is coupled with supportive public policy, CDFIs not only deliver but outperform other lenders – reaching deeper into low-income markets than traditional financial institutions. Lessons learned through the PPP experience can improve outcomes for other public-private partnerships like the Greenhouse Gas Reduction Fund (GGRF).

When PPP 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 these overlooked markets. Policy changes were implemented to increase CDFI participation and reach more of their small businesses customers. As a result, CDFIs and other mission lenders made at least $34 billion in Paycheck Protection Program (PPP) loans to small businesses – and, according to SBA statistics, were more successful at reaching financially underserved businesses than any other type of PPP lender.[6]

As the federal government contemplates the structures of the new GGRF, there is an opportunity to adopt two major lessons from PPP:

1) Centering the needs of low-income and disadvantaged communities in program design produces better policy outcomes
2) 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

Other programs that prioritize CDFI participation like the Small Business Administration's 7(a) Community Advantage (CA) program and Microloan program are far more successful at reaching underserved populations. Data from the SBA shows Community Advantage lenders reached more than three times as many Black, Latinx, and women-owned businesses as traditional 7(a) lenders – between FY 2016 and FY 2021, CA lenders lent an average of 5.6 times more dollars to Black owned businesses and an average of 2.5 times more dollars to Hispanic owned businesses than

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[6] Jennifer A. Vasiloff, "CDFIs Continue to Outperform Other PPP Lenders", OFN, May 2021. https://ofn.org/articles/cdfis-continue-outperform-other-ppp-lenders

7(a) lenders.[7] CA lenders also lent twice as many dollars to women owned businesses than 7(a) lenders. More than half of Community Advantage lenders are certified CDFIs, while the 7(a) program has only a handful of CDFI participants. In the SBA's microloan program which also has robust CDFI participation, more than 60% of the number of microloans issued in FY 2021 went to minority-owned or controlled businesses.[8]

Recommendations for Equitable, Targeted Deployment of GGRF

OFN has recommendations to ensure program funds reach the targeted communities:

- **Leverage the extensive existing network of CDFIs to ensure rapid, equitable investment in all 50 states, across rural, and urban areas, and throughout the economy.** To decarbonize all sectors of the economy, commercial, residential, and consumer, across all 50 states, we must take advantage of the power of the full existing ecosystem of CDFIs. We urge EPA to make it explicit that CDFIs are eligible to access these funds as direct or indirect recipients. To ensure the program meets its statutory intent to reach low-income and disadvantaged communities, CDFIs that meet the statutory definition of eligible recipients should be able to apply directly to the EPA individually or as part of a consortium.
- **Develop a separate application for the $8 billion in funding targeted to low-income and disadvantaged communities.** The EPA should develop separate applications to allocate the $20 billion in GGRF financial assistance not directed to state governments. The $8 billion in funding designated to low-income and disadvantaged communities requires specialized market expertise. Applicants should be prioritized based on their track record and accountability to low-income and disadvantaged communities. The CDFI Fund's certification process ensures certified CDFIs are accountable to these markets.
- **Prioritize Environmental Justice.** EPA should consider the current $8 billion set-aside in the legislation for low-income and disadvantaged communities as a floor and not a ceiling and include impact for these communities as a funding criterion for awards of funds not set aside for that purpose. The $12 billion should also conform to the Justice40 Initiative and target low-income and disadvantaged communities.
- **Allocate funding to multiple entities.** GGRF funds should not capitalize a single entity or revolving loan fund. Having multiple recipients increases the government's ability to achieve its policy and allows lenders to develop customized solutions to meet their community needs. GGRF funds must also be flexible enough to provide grants to lenders and end projects. CDFIs and other mission lenders need flexible, low-cost, and long-term financing to subsidize projects that have high upfront costs. Investments in energy efficiency are difficult for low-income households and communities to finance despite the prospect of long-term savings on energy costs and reduced greenhouse gas emissions.

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[7] SBA Weekly Lending Reports
[8] Anthony A. Cilluffo and Anthony A. Cilluffo, "Small Business Administration Microloan Program", Congressional Research Service, March 30, 2022, https://sgp.fas.org/crs/misc/R41057.pdf

GGRF dollars must flow to lenders and subrecipients at least partially as grants to incent these types of investments in low-income communities.

- **Define "low-income and disadvantaged communities" using the established definition of an eligible "Target Market" used by the CDFI Fund** The legislation does not define the terms "low-income and disadvantaged communities" so EPA should adopt the existing definition of an eligible "Target Market" used by the CDFI Fund. This definition meaningfully captures 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 mission lenders already track and report lending activity according to CDFI Fund Target Market definitions.
- **Recognize that small scale is not low 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."[9] 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.
- **Ensure a broad range of projects are included as eligible activities.** There is no "one-size fits all" approach to curbing emissions. Rather, it will require investing in a broad set of projects and interventions based on community needs. CDFIs are working across the country to address the climate crisis. The included appendix features CDFIs that received grant funding through OFN's Renewable and Energy Efficiency Financing Grant Program. Between 2019-2022, OFN provided $5.25 million in grants to OFN members focused on a wide variety of renewable and energy efficiency financing projects. Small investments of grant capital will catalyze the creation of innovative new green loan products, development of new funds focused on energy efficiency, and more.

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. 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

[9] Eric Hangen, Rebecca Regan, Sarah Boege, "Bringing Solar Energy to Low- and Moderate-Income Communities", Published April 23, 2021. https://carsey.unh.edu/publication/bringing-solar-energy-low-moderate-income-communities

poised to do much more. OFN and our 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.

Sincerely,

Beth Lipson
Interim President & CEO, Opportunity Finance Network

Appendix: Examples of CDFI Green Lending from OFN's Energy Efficiency Grants

Bluehub Capital, 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.

Capital Good Fund, based in **Providence, RI** is planning to expand their DoubleGreen 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. Currently serving Rhode Island, Florida, Massachusetts, Delaware, Illinois, and Texas with hopes of expansion.

Cincinnati Development Fund, based in **Cincinnati, OH**, 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 incentive for developers to identify energy-efficiency solutions, proper implementation, while preventing the creation of a financial barrier for low-incomes through the added cost of energy-efficient systems.

City First Enterprise, based in **Washington, DC** is launching the Small Business Renewable and Energy Efficient Fund (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 adorable energy efficiency and clean energy.

Community Loan Fund of the Capital Region, 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.

Opportunities Credit Union, based in **Winooski, VT,** created a loan program for energy-efficient home appliances with affordable monthly payments for low-income homeowners in Vermont.

Rural Community Assistance Corporation, based in **West Sacramento, CA**, created the Biomass Utilization Fund (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.

Triple Bottom Line, 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.

Virginia Community Capital, based in **Richmond, VA** operates a Clean Energy Lending 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).

October 11, 2022

Ed Chu, Designated Federal Officer
U.S. Environmental Protection Agency
Environmental Financial Advisory Board
1200 Pennsylvania Avenue, NW
Washington, DC 20460

RE: Environmental Financial Advisory Board October 2022 Public Meeting

Dear Mr. Chu:

Thank you for the opportunity to submit comments to inform the October 2022 Public Meeting of the Environmental Financial Advisory Board (EFAB). Our comments will focus on the Greenhouse Gas Reduction Fund (GHGRF) portion of the Public Meeting agenda.

The Environmental Protection Agency (EPA) should plan the implementation of the GHGRF to ensure it achieves both the equity and climate goals of the Inflation Reduction Act. By expanding capacity for high-impact green lending in historically redlined communities, counties experiencing persistent poverty, and states that lack effective infrastructure to make GHGRF investments, the GHGRF can address the dual problems of disproportionately high energy burden and devasting climate changes impacts in these communities. These GHGRF investments can and should be designed and deployed by the local, community-based financial institutions that were created by members of these communities and have been serving the members of these communities for many years.

Community development credit unions specialize in working closely with people who have historically been excluded from the mainstream financial system and provide safe, affordable consumer, mortgage and small business loans. Their nature as member-owned, not-for-profit financial cooperatives creates strong incentives for them to meaningfully serve people who live in historically redlined communities, areas with persistent poverty, and in other communities the mainstream financial system fails to serve equitably. Community development credit unions' deep experience in community-based lending means that they are an ideal conduit for investments to advance environmental justice while also achieving critically needed energy cost savings for low- and moderate-income households.

For example, low-income people typically have longer commuting distances when driving to work than middle- and upper-income people, forcing them to spend more on transportation and generating more greenhouse gas emissions. Community development credit unions like USC Credit Union in California and Clean Energy Credit Union in Colorado have developed innovative, affordable electric vehicle lending programs specifically designed for low- and moderate-income people to reduce both their emissions and their fuel costs.

About Inclusiv & Community Development Credit Unions

Inclusiv is a Community Development Financial Institution (CDFI) Intermediary and nonprofit national network of community development credit unions committed to promoting financial inclusion through credit unions. The Inclusiv network represents more than 490 credit unions serving more than 18 million people in predominantly low-income urban, rural, and reservation-based communities across 47 states, DC, the U.S. Virgin Islands and Puerto Rico. Fully half of our members are Minority Depository Institutions (MDIs) or Cooperativas that are governed by and predominantly serve people of color, 58% of our members are CDFIs, and 75% are Low-Income Designated.

Community development credit unions are cooperatively owned and democratically governed financial institutions that offer their members:

- Fairly priced loans, including to members with imperfect, limited or no credit history.
- A safe place to save and build assets.
- A place to conduct financial transactions at reasonable cost.
- Financial coaching, first-time homebuyer counseling, and other support services.
- Products, services, and support that can help members to free themselves from high-cost and predatory debt, gain control over their personal finances, and achieve economic well-being.

Inclusiv, in partnership with the University of New Hampshire, provides training as well as peer support and capacity building for credit unions and other community-based lenders seeking to build and expand green lending programs. In just 22 months, more than 300 lenders from nearly 150 deeply mission-driven financial institutions (primarily community development credit unions, CDFI loan funds, and community banks) have completed the Inclusiv-University of New Hampshire solar lending training course. In the past 12 months, just 96 of the community-based lending institutions that have graduated from our training courses have invested more than $2.24 billion in green loans.

Community-Based Lenders Have a Strong Record of Successful Green Lending

Community development credit unions and other community-based lenders should be key partners in the planning and disbursement of the GHGRF to ensure the fund reaches and benefits all communities equitably. They are the ideal vehicle to deliver on the goal and commitment to direct the benefits and impact of the GHGRF to climate-impacted communities.

Our market research of credit unions, community banks, and CDFI loan funds shows that at least 510 community-based lenders across the country currently offer dedicated green loan products with another 69 lenders developing new green lending programs.

Community-based lenders are financial institutions that are already out on the frontlines, providing services that plug holes in our financial system. Each of these 510 financial institutions has designed green loans products that are uniquely tailored to the clean energy and financing needs of their local communities and customers. Some community-based lenders have already become leaders in their local markets. Tucson Old Pueblo Credit Union, for example, originated more than $25 million in solar loans in 2022 alone and is the leading solar lender in Tucson; while Clean Energy Credit Union has reached more than 7,000 members and deployed $134 million in clean energy financing in the past four years.

These 510 community lenders already finance the full range of consumer, residential, and small business energy projects, including:

- Efficient home appliance upgrades.
- Energy efficiency upgrades.
- New and used electric vehicles.
- Solar and solar-powered battery storage projects; and
- Operating capital to grow small businesses that provide clean energy and energy efficiency installation and contracting services.

As an extension of these 510 community-based lenders that currently offer green loans, the existing capillary banking system of over 11,000 community-based financial institutions can quickly transition to finance decarbonization projects in climate-impacted communities providing both clean energy products (consumer, EV, residential, small business) and supports (financial and homeownership coaching, entrepreneurial assistance) to make sure borrowers are set up for success. For low-income and low-wealth borrowers to succeed, the ability to match the climate benefits with household budget in the form of reduced consumption is critical. CDFIs, MDIs, community banks, and credit unions already have expertise and proven success doing just that with their borrowers. These lenders are ready to use GHGRF investments to scale affordable financing that makes green projects accessible to the most climate-vulnerable communities.

<u>The EPA Should Prioritize Investments that Advance Equity While Reducing Emissions</u>
Although the GHGRF does not permit depository institutions, such as credit unions, to be eligible recipients of the GHGRF, as non-for-profit financial institutions, credit unions are eligible to receive indirect investments through the Fund. Inclusiv is a CDFI Intermediary and is committed to making GHGRF investments accessible to its member credit unions to support the critical greenhouse gas emissions and air pollution reduction goals of the GHGRF.

Community development credit unions have deep ties with their local communities, 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 a strong track record of green and climate resilience-focused lending. Although our comments focus on community development credit unions, CDFI loan funds, community banks, and mainstream credit unions share many of the same positive characteristics. These institutions are typically able to leverage public investment like the GHGRF as much as tenfold and could bring the total impact of the fund to more than $200 billion in green lending over the next three to five years.

The EPA should align the GHGRF award criteria with Justice40 goals. The GHGRF can rely on the clear strengths of high-impact community development credit unions in reaching low-income people and people of color, and in their demonstrated record of success in green and resilience-focused lending. We urge the EFAB to help the EPA to develop equitable disbursement criteria for the GHGRF by focusing on:

- <u>Expanding capacity for high-impact green lending in historically redlined communities, counties experiencing persistent poverty, and states that lack effective infrastructure to make GHGRF investments</u>. Directing investments to MDI credit unions and CDFI credit unions with a racial equity mission is a straightforward way to reach this goal and aligns with the Justice40 initiative. Communities of color face higher energy cost burdens than white communities and, to date, have been largely excluded from the clean energy transition, which has shut people of color out of both savings and job opportunities.
- <u>Ensuring green lending and climate resilience lending is responsive to local needs and that loan</u>

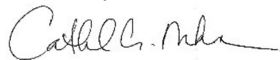
products are accessible to frontline and historically disinvested communities. Credit unions are financial cooperatives that are democratically governed by their members on a one member, one vote basis. Community development credit unions know and serve these communities and their structure ensures they are accountable to their members.

- Leveraging public dollars for additional impact. As described above, community development credit unions and other community-based lenders can leverage public funding as much as tenfold.
- Prioritizing institutions with a strong track record of green lending or climate resilience lending. Including the two community development credit unions with strong green lending records described above, 428 credit unions across the country and 19 of Puerto Rico's cooperativas have a strong track record of both solar and climate resilience lending. Cooperativa Jesus Obrero, for example, has financed more than 500 PV solar systems across the island of Puerto Rico and renewable energy lending makes up 10% of its total loan portfolio.
- Seeking robust stakeholder feedback. Community development credit unions should be key partners in the planning and disbursement of the GHGRF to ensure the fund reaches and benefits the communities that are most climate-vulnerable and most excluded from our mainstream financial system.

By keeping the priorities above front and center in GHGRF disbursement criteria decisions, the EPA can meet the greenhouse gas emissions and air pollution reduction goals of the Inflation Reduction Act while advancing racial and environmental justice in frontline communities.

Thank you for the opportunity to provide input at this critical juncture in the implementation of the GHGRF. Please contact Neda Arabshahi, Vice President, Inclusiv Center for Resiliency and Clean Energy (narabshahi@inclusiv.org) with any questions.

Sincerely,



Cathie Mahon
President/CEO, Inclusiv

ELEVATE

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October 11, 2022

U.S. Environmental Protection Agency
Environmental Financial Advisory Board
Via efab@epa.gov

Thank you for the opportunity to provide a written statement in advance of the Environmental Financial Advisory Board's (EFAB) October 18 public meeting. Elevate is 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 that lower costs, protect the environment, and ensure that program benefits reach those who need them most. We help owners and tenants of affordable rental apartment buildings, public housing authorities, and home-based childcare centers to retrofit their buildings and manage their energy use. We are also a partner in the philanthropy-funded Justice40 Accelerator, which is helping community-based organizations grow their capacity so that they may participate fully in federally funded programs.

We are pleased to see that the EFAB's agenda includes discussion of the Greenhouse Gas Reduction Fund ("Fund"), created by the Inflation Reduction Act. We were thrilled that the Fund was included in the legislation and are eager for it to drive benefits to affordable housing and low income and disadvantaged communities. The details of the Fund's implementation will determine how effective it is at reaching these communities, and we hope that the EFAB and US EPA will carefully consider the principles below as the program is implemented.

Financing for Clean Energy Projects Must be Coupled with Technical Assistance

Our experience working with owners of subsidized and naturally occurring affordable housing, nonprofit building owners, and homeowners with low incomes has taught us that building owners often do not have the capacity or expertise necessary to identify and complete clean energy retrofits. They need to work with program implementers who can help them manage the projects, preferably through a one-stop model that assists with the entire project, from assessing the building to identifying and managing financing and funding opportunities, to managing construction and ensuring quality installations. We hope that you will carefully consider the linkage between organizations providing the Fund's financing, program implementers, contractors, and building owners.

ELEVATE

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Grants are Needed to Fund Technical Assistance

Technical assistance is critical to getting projects off the ground, but interest rates must also be kept low enough that low income and disadvantaged communities can use and benefit from the funding. Consequently, we hope that EPA will seriously consider using grants to fund technical assistance needs, fully or partially, while ensuring that loan terms remain accessible for communities with low incomes.

The Fund Must Finance Small Projects

To ensure that the Fund's benefits reach into communities, it must finance local projects. Examples might include electrification of smaller apartment buildings or solar systems for houses of worship or local nonprofits. These projects will be relatively small but bring benefits that are clearly visible to community members. Consequently, the Fund should be designed to ensure broad availability and to accommodate smaller financing amounts and grants.

Community Development Finance Institutions Should Play an Important Role in the Program

Community Development Finance Institutions (CDFIs) have both the lending expertise and the community connections needed to help ensure Fund resources make a difference in communities. Funding and opportunity for financing should be available CDFIs, with priority given to those that serve affordable housing and projects that directly benefit disinvested communities. CDFIs, along with program implementers, will be important elements of the ecosystem of organizations necessary to ensure the Fund reaches its goals.

Again, thank you for the opportunity to comment and we look forward to working with US EPA and the EFAB in any way we can to make the Greenhouse Gas Reduction Fund successful.

Thank you,

Anne McKibbin
Principal Director, Policy
Elevate
Anne.McKibbin@ElevateNP.org

VIA EMAIL
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:

On behalf of the Natural Resources Defense Council (NRDC), we are pleased to submit these comments focused on the design and implementation of EPA's newly created Greenhouse Gas Reduction Fund (GHGRF). NRDC is an international nonprofit environmental organization with more than 3 million members and online activists. Since 1970, our lawyers, scientists, and policy advocates have worked to protect the world's natural resources, public health, and environment.

Over the last decade, NRDC has increasingly focused on how public funds could dramatically increase private investment in the clean energy transition and help to accelerate the shift to a greener, more prosperous economy that benefits everyone. Our experience co-founding and serving as the Secretariat of the global Green Bank Network, our work alongside community development financial institutions (CDFIs) and credit unions charting innovative clean energy models, and our on-the-ground efforts working to equitably deploy clean energy solutions has made clear how critical our financial system is in reducing carbon emissions, bolstering climate resilience, and supporting development that is sustainable and equitable. NRDC's private/public finance expertise puts us in a unique position to comment on the design and implementation of EPA's GHGRF, which we believe can be a critical tool in accelerating a more equitable clean energy transition.

We understand that EPA is just beginning the design and implementation process for the GHGRF, and thus our comments for EFAB focus on four key considerations. These four principles will be critical for a fund deployment that appropriately balances the speed at which we need to reduce GHG emissions with the essential work of fueling a sustainable clean energy transition that delivers tangible and lasting benefits to low-income and disadvantaged communities and households.

Additionality, Market Creation, and Ecosystem Development

EPA should require applicants to (1) demonstrate how GHGRF 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 must 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.

By prioritizing low-income 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. By focusing on these sectors, the GHGRF can be the lynchpin that induces additional flows of capital that transform and create markets to deliver tangible benefits in communities long overlooked.

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) 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. In addition, renewable energy and other zero emission technologies, as well as transportation infrastructure that is located in, serves, and in which such communities have an equity stake also fit this bill. Finally, projects that deliver deep GHG reductions (e.g. deep energy retrofits); are not currently covered by other LMI-focused programs (e.g. pre-weatherization, electrification-ready services, etc.); or deliver grid and resiliency benefits (solar + storage), all are areas where GHGRF funds could be catalytic and further leverage other IRA investments and incentives in these areas.

Correspondingly, GHGRF investment criteria should screen out projects that cannot convincingly demonstrate a need for GHGRF capital to drive project benefits directly and overwhelmingly to low-income and disadvantaged communities. Projects that may fail this "but for" test could include mature technologies such as utility-scale renewables; market segments well-served by current financing such as transmission; and areas that are well funded via other federal provisions in IRA and IIJA. Many non-low-income focused entities – such as corporates, investment-grade rated institutions with no demonstrated mission focus, affluent customers, and commercial real estate developers – do not require public financing assistance to adopt GHG-reducing and decarbonization technologies.

We also encourage EPA to take an ecosystem development approach to GHGRF design and implementation. A mix of grants and financial capital will be needed to fulfill this vision. Financial assistance needs to be more than loans, and include (recoverable and non-recoverable) grants and flexible, low-cost impact investing structures that don't excessively rely on cash flow from low-income residents. Building community trust, project development, workforce development, small business support, and flexible early-stage financing represent just some of the challenges in finding "investable" projects in low-income and disadvantaged communities.

GHGRF funds should address these issues head-on, and incorporate the necessary capacity building, technical assistance, project development, and community engagement support that will ultimately be needed to deliver a pipeline of GHG-reducing projects with meaningful impacts over the long run. 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.

In thinking about what ecosystem supports are needed, it may be helpful to think about what each technology or product vertical (e.g. multifamily affordable decarbonization; EVs; etc.) needs to scale and reach all communities. For instance, the financial, technical, and capacity issues associated with delivering community solar to low-income households looks different and requires different solutions than what is needed for net zero new construction affordable housing. By fleshing out the deployment hurdles in each distinct vertical, EPA can take a more tailored and informed approach in its GHGRF design. Additionally, EPA may consider creating selection criteria for awards that specifically ask applicants to describe and address deployment hurdles in each vertical in which the applicant intends to deploy GHGRF resources.

Finally, a critical piece of ecosystem development is a focus on community ownership and wealth building. While it's true that a major goal of the GHGRF is on the energy demand side – namely, increasing access to clean energy and its co-benefits while decreasing energy costs/burden – like other parts of the IRA (for example, the tax incentives provided for the creation of apprentices), there is great potential for disadvantaged communities to share in the benefits of ***supplying*** clean energy. The benefits include (1) expanding the clean energy workforce to community members; (2) increasing the number of small, BIPOC-, and woman-owned business directly or indirectly supporting projects; (3) growing the number of lenders investing in improvements to key community-identified local infrastructure needs as part of project financing; (4) investing profits or surpluses in key community assets; (5) supporting community ownership models like community land trusts and cooperatives as they transition to clean energy; and (6) entering into carried interest or profit-sharing arrangements with partner organizations, individuals, or groups. The EPA should appropriately weigh community ownership and wealth building strategies when designing GHGRF and incentivize consortia with partners (deep impact investors) who can equitably deliver these supply-side outcomes.

Prioritize Low-Income and Disadvantaged Communities and Households Across the Entire $27 Billion

Given $15 billion of the GHGRF is specifically earmarked for low-income and disadvantaged communities, a key decision facing EPA is how to define such communities. **We recommend applying the White House's Justice40 Initiative's definition of disadvantaged communities[1] as a starting point, and modifying it to include other key climate, energy, and economic factors.** 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.

[1] https://www.whitehouse.gov/wp-content/uploads/2021/07/M-21-28.pdf

Second, EPA should structure and award the unrestricted portion of the GHGRF ($11.97 billion) with a priority toward low-income *household* access, as well as small businesses that may be based outside of a low-income community but still serve it. While many low-income individuals and households live in low-income and disadvantaged communities, many do not. The same is true for BIPOC-owned businesses and other small businesses that low-income households rely on. It is therefore critical that the unrestricted portion of the GHGRF follow similar Justice40 and additionality principles as the place-based $15 billion. We recommend considering the $11.97 billion as "people-based" funds, whereby these funds can also reach low-income households and small businesses who may not specifically be located in a qualified "low income or disadvantaged community" area. EPA should also establish an eligibility testing regime that does not impose undue administrative cost and burden to qualify households or businesses. In addition, GHGRF awardees of this unrestricted pot of funds should similarly demonstrate a mission-based focus as discussed elsewhere in this letter.

Finally, EPA should prioritize low-income and disadvantaged community engagement and outreach in both the development of the GHGRF application, and in the awarding of funds. In the development of the GHGRF application, it may be helpful for EPA to model its community engagement after other federal programs like Department of Energy's Communities LEAP Program or EPA's own Brownfields Program, as well as leverage its Regional Offices and the newly established Office of Environmental Justice and External Civil Rights to ensure diverse voices are heard and incorporated throughout the GHGRF implementation process. Any GHGRF awardee should demonstrate a proven track record and commitment to working alongside low-income and disadvantaged communities, as well as environmental and energy justice organizations. This may include community representation at the board and leadership levels; explicit partnerships with environmental or energy justice organizations to inform business models; or committed and funded community engagement plans designed to inform business models.

Fast, Equitable, and Flexible Deployment

To deploy capital quickly and equitably, the GHGRF should route clean energy investments through existing mission-driven institutions and platforms. These entities should have demonstrated track records of successfully deploying capital in low-income and disadvantaged communities either directly or through their networks. EPA should prioritize applicants that have: (1) clear client/borrower networks in low-income and disadvantaged communities; (2) an established lending and/or grantmaking infrastructure, including prudent lending/grantmaking standards and existing products that can be modified to include GHG reduction technologies; (3) a specific and credible commitment to modify existing products to drive GHG reductions; (4) existing reporting frameworks that can be used to track performance; and (5) demonstrated organizational accountability mechanisms to the communities they serve.

These institutions and platforms, such as Community Development Financial Institutions (CDFIs), established Green Banks, Housing Finance Agencies (HFAs), Public Housing Authorities (PHAs), as well as associations of community-based lenders like Credit Unions and Minority Depository Institutions (MDIs), can all deploy GHG-reducing capital quickly to projects in areas that have thus far been overlooked in our country's clean energy transition. With access to GHGRF capital and technical assistance, lenders can adjust and complement existing loan products – such as predevelopment, rehab, equipment, construction, and refinance loans – to finance GHG reducing technologies. The GHGRF represents a critical opportunity to adapt and leverage the vast existing community and green finance infrastructure throughout the country to pursue GHG reduction goals in low-income and disadvantaged communities.

EPA should afford flexibility to established institutions that meet the above-listed criteria regarding how financing products are designed, how customers are solicited, and how funds are ultimately deployed in GHG reducing projects and technologies. Flexibility will allow lenders to be market-responsive and serve customers with different needs in different geographies. Prescriptive financing products and underwriting methods can hamstring lenders. For example, lenders should have flexibility in how to allocate funding between fully repayable loans, "soft" loans, and grants. While the EPA should afford lenders flexibility to set rates and terms, the benefit of GHGRF zero or low-cost funding should be substantially passed through to project beneficiaries. Explicitly, the EPA should require the all-in financing costs to be less than comparable market terms for similar risked investments. Lenders need flexibility in how to "blend" GHGRF funds with other capital sources (both at the project and balance sheet level). Although such flexibility is beneficial, lenders should be required to report on key outputs and outcomes on a consistent basis with metrics that state GHG reduction and other key goals – such as # and type of households served – per dollar of GHGRF capital grant on a term-consistent basis. EPA should also prescribe GHG measurement methods and technology guidance for lenders, leveraging independent 3rd parties and standardized processes, as well as encouraging shared infrastructures and platforms when applicable.

Complementary to the primary approach discussed above, EPA could also use a smaller tranche of GHGRF funds to invest in and spur new institutions and innovative approaches that address persistent gaps in the marketplace. Such institutions could be new local, state, or regional Green Banks, CDFIs, or nonprofit loan funds. In places where there are limited or insufficient intermediaries to adequately serve low-income and disadvantaged people and communities, EPA should look to invest in new entities that have a business model that explicitly seeks to complement (not compete with) existing institutions (part of the concept of additionality discussed herein). In addition to accountable and inclusive governance and performance standards, such entities should have a credible model to either (1) help bring together commercial, public, and mission-driven capital to drive GHG reduction in low-income and disadvantaged communities not currently met by existing institutions; (2) seek to fill funding gaps (e.g. pre-development, bridge loans, taking on specific risks that established lenders may avoid due to policy restrictions); and/or (3) address specific barriers in local, state, or regional markets inhibiting the existing deployment infrastructure.

Governance and Performance Standards

EPA should award applicants that can credibly demonstrate both (1) inclusive governance practices with responsiveness and accountability to low-income and disadvantaged communities and (2) best practices of nonprofit and financial governance. Other Federal programs, such as those run by US Department of Treasury's CDFI Fund or the US Department of Health and Human Services Federally Qualified Health Centers, may serve as good examples for EPA to consider when deciding on GHGRF governance parameters. At minimum, consideration should be given to board and leadership representation, board charters, investment/credit policies, as well as organizational policies such as conflicts of interest standards, procurement policies, and document retention. In addition, applicants with a demonstrated track record of effectively stewarding federal and/or state funds through other programs (e.g., Paycheck Protection Program, CDFI Fund, utility ratepayer funds, etc.) should be scored highly. Similarly, indirect regulated recipients of funding, such as credit unions and minority depository institutions should fare well in scoring if they can demonstrate a record of best-in-class regulatory compliance.

EPA should also 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. % reduction in energy burden and utility shut offs; employment outcomes; projects with clear ties to community ownership; etc.). One potential resource for EPA to consult is University of Michigan's newly released *Energy Equity Project* report, which provides a framework to measure and further energy equity outcomes.[2] Ultimately, for the GHGRF to successfully meet Justice40 goals, impacts will need to be focused on people-centered benefits.

We recommend that EPA consider a short list of clear, overarching, quantifiable program outputs and outcomes that all project verticals should measure and evaluate (e.g. GHG reductions, leverage, underserved market location, etc.), and a more tailored set of metrics specific to each project vertical (e.g. building electrification; EVs; 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.

In addition, EPA should ensure that GHGRF awardees can rely on independent 3rd-party professionals to provide assessments, validate project scopes, validate GHG savings estimates, and also provide reliable cost estimation services. 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.

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We thank the EFAB and the EPA for their consideration of our comments. If we can be of any further assistance, please do not hesitate to contact us.

Sincerely,

Adam Kent (akent@nrdc.org)
Doug Sims (dsims@nrdc.org)
Sarah Dougherty (sdougherty@nrdc.org)
Natural Resources Defense Council
1152 15th Street NW, Suite 300
Washington, DC 20005

[2] Energy Equity Project, 2022. "Energy Equity Framework: Combining data and qualitative approaches to ensure equity in the energy transition." University of Michigan – School for Environment and Sustainability (SEAS).

Environmental Financial Advisory Board Meeting Oct 18, 2022

Public Comments by Gregory M. Baird, greg.m.baird@agingwaterinfrastructure.org

Dear EFAB members – thank you for your time, resources, and expertise in discussing and struggling with finding solutions for many complex issues.

EFAB is an EPA advisory committee chartered under the Federal Advisory Committee Act to provide advice and recommendations to EPA on creative approaches to funding environmental programs, projects, and activities.

I wanted to take a few moments to raise some common themes and questions for your consideration.

Utilities face many financial obstacles many of which are on the OPEX- operations and maintenance side of the budget. EPA funding most of the time only focuses on CAPEX -brick and mortar capital projects.

Can "Building Capacity" for water/sewer and storm utilities include a 3-year grant for "new" hired employees focused on infrastructure asset management, regulatory compliance, and finance/communications? As a municipal finance officer in California, I saw the benefit to the police department which would receive such grants to reduce crime with the city tasked with finding the revenue to maintain the positions beyond year 3.

Can EPA/SRF funding broadly be applied to SaaS type of products that may not be directly tied to an immediate capital project? Technology must be funded and applied to address our aging infrastructure, workforce, sustainability, and affordability challenges. Artificial Intelligence, Machine Learning, Digital Twins, and many cloud platform products are packaged as SaaS annual subscriptions requiring OPEX – operation's budget planning and approvals. If the EPA funding favors only capital project justification, then many SaaS product and cloud offerings geared for mid to small and very small utilities with capacity building benefits for field crews are left untapped. As the CFO of Colorado's third largest municipal water utility, I found it was easier to fund a capital project versus adding a new operational budget line item.

States are faced with the impossible and overwhelming duty of monitoring compliance issues of hundreds of public water/sewer systems. Local governance and capacity issues drive water quality and infrastructure neglect and failures. Can combined watershed/sewershed ad hoc regionalization "one water" co-ops be formed for peer-to-peer reporting on infrastructure risk and reliability, staff capacity, water sustainability and quality - funded as a program with SRF money?

Environmental, social, and governance (ESG) principles implies that an organization has a strategy which focuses on the three pillars of the environment, social, and governance. This includes taking measures to lower pollution, CO_2 output, and reduce waste. It also means having a diverse and inclusive workforce, at the entry-level and all the way up to the top. ESG is

costly and time-consuming to undertake. While a worthy cause and probably achievable for larger municipalities and their utilities, thousands of capacity building utilities need to focus on the basics of utility infrastructure management, sustainable service delivery, compliance, rate affordability, communications, and funding. 85% of all water utilities report under a municipality/public works department, less than 10% have accessed SRFs, 30% may even fail to submit a lead(Pb) service line inventory by 2024. The issues are complex but there must be a focus on the basics of utility management and governance.

Thank you for your time and consideration,

Gregory M. Baird

October 11, 2022

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 Greenhouse Gas Reduction Fund ("GGRF" or "Fund") represents a historic investment in the fight against climate change. It is designed to reduce or avoid greenhouse gas emissions and other forms of air pollution by accelerating investment in clean energy technologies in every community in the United States, including low-income and disadvantaged communities that are often left out of public and private investments. For EPA, the $27B appropriated to the Fund by the Inflation Reduction Act ("IRA" or "Act") is unprecedented, and the deadlines established in the Act leave the agency with little time to stand up an entirely new grant program. As emphasized by Senator Van Hollen, Senator Markey, and Representative Dingell in their September 9, 2022, letter to EPA Administrator Michael Regan ("Congressional Letter"), meeting those statutory deadlines is critical to the Fund's ability to reduce emissions of greenhouse gases and other forms of air pollution at the levels called for by the President, and we encourage the Environmental Finance Advisory Board ("EFAB") to advise EPA on how the agency can implement the Act within the Congressionally-mandated deadlines.

The Congressional Letter, in conjunction with a statement for the Congressional Record made by Representative Dingell, documents the legislative history of the GGRF and Congress's intent for how EPA should implement this new program. We commend both to the EFAB, and have included them as Attachment I and Attachment II to these comments. We further encourage the EFAB to provide EPA with advice that is consistent with Congress's intent, as documented by the Members of Congress that were the lead sponsors of the legislation that was incorporated into the IRA to create the GGRF. Together, the Letter and the Statement provide EPA with a roadmap for how to implement the GGRF and award the full amount appropriated by Congress within the time provided in the Act.

The Letter and Statement explain that Congress's intent in creating the GGRF was to capitalize a single national, nonprofit financial institution – often referred to as the National Green Bank. Consistent with well-established financial protocols, Congress understood that consolidating the grant money in a single National Green Bank would actually *expand* the number of entities that would benefit from the funding provided through the GGRF and the total amount of "funding and technical assistance" that will be delivered to these entities. That is true for several reasons.

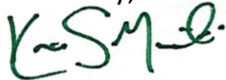
- Congress drafted the legislation not only to provide financial assistance to qualified projects, but also to provide technical assistance and financial assistance to new or existing public, quasi-public, not-for-profit, or nonprofit entities that provide financial assistance to qualified projects at the State, local, territorial, or Tribal level or in the District of Columbia, including community- and low-income-focused lenders and capital providers. Simply put, the National Green Bank is required to share the funding it receives with all entities that are committed to accelerating investment in clean energy technologies in every community in the United States.
- Unlike a traditional grant program with a one-time application window, the National Green Bank will have the ability to expand continually the network of new or existing entities that receive funds through the GGRF long after the application window closes. No existing membership organization or network can be certain that its current members alone can meet the environmental justice mandate included in the GGRF. The National Green Bank's flexibility is essential to meeting the President's Justice40 goals, because low-income and disadvantaged communities are less likely to currently be served by financial institutions that will be prepared to provide green financing on Day 1. Recognizing this, Congress included a requirement that the National Green Bank provide both technical assistance and financial assistance to help create new and develop existing public, quasi-public, not-for-profit, or nonprofit entities that will provide financial assistance to qualified projects, including projects located in low-income and disadvantaged communities.
- Congress recognized that to accelerate the construction of the clean power platform in the most critical communities in the country, the National Green Bank will need to focus "funding and technical assistance" on geographic and demographic targets. To this end, the National Green Bank will depend upon partnerships in those communities with nonprofit financial institutions of all kinds. Continual focus on well-selected communities will require a consistent strategy with an adaptable and flexible approach to problem solving by the National Green Bank and its partners in those communities. By providing the money to a single National Green Bank and requiring the bank to in turn provide technical and financial assistance to new and existing financial entities, Congress found a creative solution that overcame the time-based limitations of a traditional grant program.
- Capitalizing one single independent National Green Bank offers both the benefits of flexibility and speed in decision-making that private sector financing entities enjoy and the restraint on profit-seeking that should attach to the recipient of taxpayer funds. That flexibility will allow the National Green Bank to prioritize delivery of funds to communities with the greatest need, and to quickly respond as demands and needs change over time.

Finally, it is important to note that this flexibility does not come at the expense of accountability. In fact, capitalizing a single National Green Bank will allow for more effective and efficient accountability by consolidating the responsibilities and obligations in a single entity. The National Green Bank will be responsible for ensuring the funds are used consistent with the requirements of the IRA and the terms and conditions contained in the grant agreement. That grant agreement will include key aspects of the National Green Bank's governance and business plan, which will enable effective oversight by EPA and Congress.

As intended by Congress, capitalizing a National Green Bank is an essential component for meeting the stated purpose of the GGRF and is key to ensuring the rapid deployment of funds to communities across the country, and in particular low-income and disadvantaged communities. We commend the EFAB for taking on this important charge and encourage you to provide advice to EPA that is consistent with Congress's intent, will assist the agency in meeting its responsibilities under the IRA, can make a meaningful difference in the effort to reach low-income and disadvantaged communities, and helps the GGRF realize its full potential.

If I or anyone at the Coalition for Green Capital can be of assistance as you complete your work, please do not hesitate to contact me.

Sincerely,



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202-860-5581
Counsel to the Coalition for Green Capital

Enclosures

cc: Reed Hundt
Robert Sussman

ATTACHMENT I

Congress of the United States
Washington, DC 20515

September 9, 2022

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

Dear Administrator Regan,

As the lead sponsors of the *National Climate Bank Act* (S. 283) and the *Clean Energy and Sustainability Accelerator Act* (H.R. 806) in the Senate and House of Representatives, we worked to include the Greenhouse Gas Reduction Fund (GHGRF) in the *Inflation Reduction Act* (Pub. L. 117-169) to provide resources to fulfill the mission of our legislation. Therefore, we write to encourage you to rapidly invest maximum funding from the GHGRF to capitalize a national climate bank that will support an equitable transition to a clean-energy economy and fund a nationwide network of state and local climate banks, which will turn the challenge of climate change into an opportunity for prosperity. As the GHGRF intentionally dedicates $8 billion to the "purposes of providing financial assistance and technical assistance in low-income and disadvantaged communities," the swift and successful disbursement of this funding will further the Biden administration's environmental justice goals, which you have been a strong advocate for within the Environmental Protection Agency (EPA). An effective national climate bank program will build generational climate-friendly wealth in communities that have the least access to clean energy capital and are most at risk from environmental harm.

We have long championed the concept of a single, independent, non-profit national climate bank that would maximize the leveraging of private capital investment, ensure the efficient distribution of funds within a growing green bank network, and create opportunities for large scale, transformational investments—particularly in environmental justice communities – and it is critical to the country's ability to reduce emissions of GHGs at the levels called for by the President.. The GHGRF is poised to accomplish that goal as it intentionally includes as an eligible recipient a nonprofit organization that:

> *"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; does not take deposits other than deposits from repayments and other revenue received from financial assistance provided using grant funds under this section; is funded by public or charitable contributions; and invests in or finances projects alone or in conjunction with other investors,"*

The provision also instructs eligible recipients to use grant funding to make direct investments which:

> *"provide financial assistance to qualified projects at the national, regional, state, and local levels; prioritize investment in qualified projects that would otherwise lack access to financing; and 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."

Furthermore, the GHGRF requires recipients to make indirect investments to promote climate finance efforts throughout the country by:

> *"provid[ing] 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."*

A national climate bank is uniquely structured to meet all of the requirements of the GHGRF. It will bring together a comprehensive, diverse, and inclusive network of state and local financing entities in the public and non-profit sectors. We have championed the effectiveness of a standalone national institution that is authorized to capitalize both current and newly formed state and local banks, along with all other entities eligible to receive indirect assistance through our legislation. This approach allows these subnational entities, nonprofits, and lenders to make their own investments tailored to the needs of their communities, with the financial and technical support of the national climate bank. In the aggregate, a national climate bank and its network is expected to produce $10 billion of public-private investment over a decade for every $1 billion in initial capital.[1]

The GHGRF will provide a national climate bank with the funding it needs to immediately begin investing in qualified projects that would otherwise lack access to financing on favorable terms. There are $200 million worth of projects targeting low-and-moderate income communities, nonprofits, public schools, and affordable housing that are shovel-ready, in addition to the $21 billion in clean technology projects that are in the larger pipeline.[2] With so many projects ready to go, it is vital that we establish an organized central entity that is able to fund qualified large-scale projects and coordinate downstream financial entities to implement a system that efficiently reduces emissions and supports disadvantaged communities in those efforts.

As a centralized institution, a national climate bank will reduce costs for financial entities, attract private capital investments, and support a more efficient project-financing pipeline, while also seeding and providing technical support to state and local climate banks, minority depository institutions, community development financial institutions (CDFIs), and other nonprofits. Green banks have already proven successful on the local and state level, and a national bank would support those efforts while providing additional coordination for larger projects at the regional and national level. Green banks have been established or are being considered for development in 37 states and in Washington, DC, and are supported by governors of both parties.[3] A national climate bank will optimize our federal investment and provide a unified national approach to climate mitigation, while supporting state and local banks' abilities to meet their individual needs. A green bank network will be able to rise to the challenge that climate change presents with the leadership and guidance of a national climate bank.

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[1] "Supporting a Clean Energy Recovery: Jobs and Emissions Impacts of a $100 Billion Clean Energy and Sustainability Accelerator" (Vivid Economics Limited, December 18, 2020).

[2] "National Green Bank: Project Ready Day One - Conversations with the American Green Bank Consortium," July 7, 2021, http://coalitionforgreencapital.com/wp-content/uploads/National-Green-Bank-Project-Ready-Day-One.pdf.

[3] Nevada's green bank, the Nevada Clean Energy Fund, was signed into law by Republican Governor Sandoval.

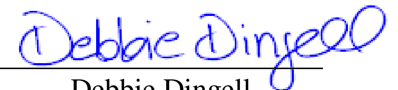
To carry out the requirement that 40 percent of funds within the GHGRF be dedicated in support of environmental justice communities, a national climate bank can use trusted community partners, such as local green banks and CDFIs, to target investments within disadvantaged communities. These partnerships will allow the benefits of clean technologies to reach communities that have been left behind for too long. Moreover, the national climate bank will lower costs for all consumers, including low-to-moderate income households, by deploying tested financial instruments that will reduce energy consumption, costs, and emissions for everyday activities.[4]

Capitalizing a national climate bank will provide long-term, comparatively low-cost solution to reduce our reliance on fossil fuels and greenhouse gas emissions, while decreasing families' energy bills and creating new clean energy jobs. As authors of the legislation upon which the GHGRF is based, we urge you to maximize the impact of these funds through the capitalization of a national climate bank which will have the capacity to make direct investments in qualified projects at the national and regional levels and provide funding and technical assistance to state and local financing entities. We look forward to working together as EPA establishes the implementation procedures for the GHGRF, per the statute and intent of the *Inflation Reduction Act*, and thank you for your efforts on this historic project.

Sincerely,

Chris Van Hollen
United States Senator

Edward J. Markey
United States Senator



Debbie Dingell
Member of Congress

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[4] The Climate Access Fund of Maryland is developing, managing, and financing a community solar array on the rooftop of the Henderson-Hopkins School in Baltimore, MD. This project will be open to 175 low-to-moderate-income households in East Baltimore, and will save each subscriber an estimated $200 annually on electricity.

ATTACHMENT II

lease sales provided through the Inflation Reduction Act are somehow being rushed through or will be conducted with insufficient administrative process. That is simply not the case.

These sales were scheduled under the Obama Administration under the 2017–2022 five-year plan. That Interior department subjected the plan to a large programmatic environmental impact statement. They then underwent a multi-sale EIS. These sales then also went through a supplemental EIS. Thus, the idea that any further process should be required is just not credible and that is why the bill requires them to occur by a date certain.

It is in our national interest to do so as quickly as possible so that the energy crisis does not become even worse and so that the fuel and revenue these sales will generate can find their way into our economy sooner than later.

Mrs. DINGELL. Madam Speaker, I rise in strong support of the Inflation Reduction Act we are considering today and would like to speak specifically to the inclusion of the Greenhouse Gas Reduction Fund, which is based on important legislation I authored to address the climate crisis.

The Inflation Reduction Act appropriates $27 billion to the Environmental Protection Agency (EPA) to finance climate specific projects that will reduce carbon emissions, which will be dispensed through the Greenhouse Gas (GHG) Reduction Fund. The GHG Reduction Fund is the product of more than 13 years of legislative effort by numerous members of the House and Senate and provides resources to fulfill the vision and mission of this legislative effort to capitalize a national climate bank that will support a swift transition to an equitable, clean-energy economy,

In the House, the GHG Reduction Fund is based on H.R. 806, the Clean Energy and Sustainability Accelerator Act. I introduced this important legislation to provide the maximum funding possible to and capitalize a single independent, non-profit national financing institution (''NNFI'')—the first ever national green bank—that would in turn make its financial and technical resources available to communities across the country. It is our hope, as the administration implements the GHG Reduction Fund, it will consider the benefits and structure of the Clean Energy and Sustainability Accelerator Act.

It is our hope the Environmental Protection Agency would make awards through the GHG Reduction Fund to capitalize a single NNFI, as intended under the Clean Energy and Sustainability Accelerator Act, and for that NNFI to use that capitalization funding to leverage private investment in amounts several times greater than the initial public investment. Once capitalized, the bill requires the entity to make direct investments into qualified projects at the national, regional, state, and local levels and, importantly, to make indirect investments into such projects by providing financial and technical assistance to an open, inclusive, and ever-expanding network of state and local nonprofit financial institutions—including existing and newly established green banks and community development finance institutions—that are committed to making investments in the products that will compose the clean power platform on which the economy must run.

The GHG Reduction Fund makes an historic investment into low income and disadvantaged communities as well, mandating that at least 40 percent of the over $20 billion be used to benefit qualified projects and the financing entities that support qualified projects within these communities, but we expect that the full investment in these communities will be far larger through leverage and investments from the remainder of the Fund.

The GHG Reduction Fund, and the American people, would benefit most and achieve its purpose most effectively through the capitalization of a single independent NNFI, as originally intended in the Clean Energy and Sustainability Accelerator Act. A single independent NNFI 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. In addition, the NNFI approach can indirectly invest in any community by providing the funding and technical assistance necessary to establish new financial institutions and further capitalize and strengthen existing ones. The NNFI would grow a diverse, open, and inclusive network of state and local green banks and other mission driven financing entities.

Capitalizing a single independent NNFI at scale, through the GHG Reduction Fund, would also enable public investment to be leveraged more efficiently which, in turn, drives much greater private capital investment in qualified projects, whether at the national, regional, state, or local level. And the Inflation Reduction Act requires the entity to ''retain, manage, recycle, and monetize all repayments and other revenue'' generated using the capitalization grant. We count on EPA to assure that the NNFI will be subject to the appropriate regulations and requirements that would apply to similar non-profit institutions that have been capitalized with federal or nonfederal dollars. At the same time, the relationship between EPA and the single independent nonprofit national financing institution should be designed to preserve its operational flexibility and ability to respond quickly to market conditions to execute with the speed that the climate crisis demands.

Finally, the Inflation Reduction Act sets a 180-day period for EPA to complete all these steps: establish the GHG Reduction Fund, issue a grant solicitation, award capitalization grants, and disburse the funds. These aggressive deadlines were established because the GHG Reduction Fund cannot achieve its purpose unless the full amount of funds appropriated to this program are put into use through a NNFI approach immediately. Disbursing all the funds within 180 days though a single independent NNFI, as originally intended under the Clean Energy and Sustainability Accelerator Act will ensure that we can expeditiously address the urgent threat of catastrophic climate change, in an equitable manner, on day 181. A swift disbursement of the maximum funding amount possible will allow the climate bank to leverage more private financing—thereby ensuring our public investment has a far reaching impact.

The impacts of climate change have created an emergency situation that poses a substantial danger to the health and safety of the American public, and the award and disbursement of the maximum amount of funds appropriated to the GHG Reduction Fund cannot be delayed. We recognize that the timeline will require EPA, at every step in the grant process, to evaluate approaches that can reduce the amount of time that it would otherwise take to complete that step—and it is our intention that EPA will utilize all legally-authorized strategies that are necessary to ensure the full amount of the funding is disbursed on time.

Mr. THOMPSON of California. Madam Speaker, I strongly support H.R. 5376, the Inflation Reduction Act of 2022.

I am particularly pleased that the legislation before the House includes major provisions of my GREEN Act, including incentives for a vast array of clean and renewable energy sources.

This legislation represents the most sweeping and ambitious climate policy ever to pass the Congress.

It reduces our dependence on fossil fuels while accelerating the development of solar, wind, and other renewable energy sources.

And it incentivizes individuals to limit greenhouse gas emissions from their homes, their businesses, and their vehicles.

I am also extremely supportive of the health care provisions in this bill.

Allowing Medicare to negotiate the price of prescription drugs has been a priority for Democrats in Congress for decades—and this bill not only ensures that seniors don't go broke paying for their medicines, but also saves taxpayers hundreds of billions of dollars.

Given the negotiations of the past 18 months, this bill could not accommodate every single priority or proposal.

And I am hopeful that my colleagues will work with me moving forward to ensure that the corporate minimum tax—a policy I support—does not inadvertently burden companies, like some in my district, who suffered severe net operating losses in previous years due to natural disaster.

This bill is a tremendous step forward for our country. It pays down our deficit, reduces the cost of prescription drugs, extends health insurance subsidies for low-income Americans and invests hundreds of billions of dollars in clean and renewable energy.

I am proud to have helped author this legislation, and I strongly support its passage.

Mr. WELCH. Madam Speaker, as many of my colleagues know, I have worked for years to protect patient access to pharmacies across this nation. It is the intent of the United States House that this legislation, and in particular, Section 1860D–14C(c). MANUFACTURER DISCOUNT PROGRAM shall operate in the same manner as the Medicare Part D Coverage Gap Discount Program found under 42 USC 1395w–114a. CMS shall implement this provision to operate in the same manner with respect to a pharmacy. In that way, this section shall not result in any reduction in pharmacy reimbursement or require or permit price concessions or other remuneration from the pharmacy. We will convey this intent to the Centers for Medicare & Medicaid Services as they develop the rules that will govern this discount program. I will continue to look for additional ways to help patients and to preserve and protect our pharmacies that are so essential to communities across Vermont and our country.

Ms. BONAMICI. Madam Speaker, I rise today in support of a transformational piece of legislation, the Inflation Reduction Act.

The Inflation Reduction Act's historic investments will reduce costs for families and individuals, expand access to affordable health

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To: Kerry O'Neill, Chairperson, Environmental Financial Advisory Board
From: Andrew Kessler, President, NY Green Bank
Re: Oral Statement Delivered at EFAB October 2022 Public Meeting
Date: October 21, 2022

On October 19, 2022, NY Green Bank ("**NYGB**") President Andrew Kessler provided an oral statement to the Environmental Finance Advisory Board ("**EFAB**") during its October 2022 public meeting on the topic of the Environmental Protection Agency's ("**EPA**") Greenhouse Gas Reduction Fund (the "**Fund**") established pursuant to the Inflation Reduction Act of 2022. NYGB is pleased to hereby submit a written copy of the oral statement. NYGB thanks EFAB for the opportunity to provide its input during the public meeting and looks forward to continued engagement with EFAB in connection with the Fund.

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"NY Green Bank welcomes the Environmental Protection Agency's Greenhouse Gas Reduction Fund 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, which is directly in line with our commitment to supporting these communities across New York.

NY Green Bank is a $1 billion-dollar New York State-sponsored investment fund. We operate as a division of the New York State Energy Research & Development Authority, and we are the largest green bank in the United States. Our mission is to work with the private sector to transform financing markets in ways that accelerate clean energy investments on an equitable basis and in support of New York State climate goals.

Since we opened for business in 2013, we have advanced this mission by making $1.8 billion of investments in more than 100 transactions in asset classes that are critical to the clean energy transition. Our team works every day to make investments that are market-based, replicable and scalable, and then we then find ways to create secondary markets for those investments. And, since New York passed its historic climate law in 2019, we are committed to ensuring that at least 35% – with the goal of 40% – of our investments benefit disadvantaged communities across New York State.

NY Green Bank welcomes – and strongly supports – the Environmental Financial Advisory Board's proposed charge to the Exploratory Workgroup for the Fund. We encourage the EPA, EFAB and the Workgroup to run a transparent consultative process that solicits feedback on the design and implementation of the Fund from the broader stakeholder community.

We encourage EFAB to consider the following general principles across the Fund:

- Competitive allocation methodologies that are designed to identify recipients that can mobilize capital at scale, especially in low-income and disadvantaged communities

- An application process that identifies recipients with a demonstrated ability to leverage private sector capital and access secondary markets
- Strong internal controls and compliance programs to ensure responsible stewardship of public dollars, while avoiding undue administrative burden on Fund recipients
- An allowance for states that already have established criteria for disadvantaged communities to be able to use such criteria to satisfy EPA's requirements

For the Zero Emission Technologies Fund specifically, it will be critical to have a reallocation mechanism that ensures that funds are not left unused but can instead be reallocated to other recipients who are able to maximize the use of these funds.

We look forward to receiving further guidance in the weeks ahead from the EPA, EFAB and the Workgroup. We stand ready to engage collaboratively with all market actors to advance this effort. In the meantime, we thank EPA leadership and staff – as well as EFAB and the Workgroup – for their important work ahead on making the Greenhouse Gas Reduction Fund a success. Thank you for the opportunity to make remarks."