

## FINAL APPROVED EFAB CHARGE Greenhouse Gas Reduction Fund

Proposed by: EPA Office of the Administrator

### Problem / Question Statement

The Inflation Reduction Act of 2022 amended the Clean Air Act to create a new program – the Greenhouse Gas Reduction Fund (GHGRF). The GHGRF includes: (1) \$7 billion for competitive grants to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including distributed technologies on residential rooftops, and carry out other greenhouse gas emission reduction activities; (2) nearly \$12 billion for competitive grants to eligible entities to provide direct and indirect financial and technical assistance to projects that reduce or avoid greenhouse gas emissions; and (3) \$8 billion for competitive grants to eligible entities to provide direct and indirect financial and technical assistance to projects that reduce or avoid greenhouse gas emissions in low-income and disadvantaged communities. These \$27 billion are available to EPA to award grants until September 30, 2024.

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

To the extent that the analysis needs to be differentiated depending on the three different GHGRF funding streams listed above, EPA welcomes feedback on considerations specific to each.

### **I. Objectives**

- a. Environmental Justice / Definition of “low-income and disadvantaged communities”
  - i. What considerations should EPA take into account in defining “low-income” and/or “disadvantaged” communities in order to ensure fair access/that the funding benefits disadvantaged communities?
  - ii. How can EPA ensure that communities and organizations who have received little or no funds in the past receive priority consideration for funding? How could EPA identify the low-income and disadvantaged communities it should prioritize for greenhouse gas and other air pollution reduction investments?
  - iii. What kinds of technical and/or financial assistance should GHGRF funding recipients provide to ensure that low-income and disadvantaged communities are able to be direct or indirect beneficiaries of GHGRF funding? Please identify supports that could help communities with project implementation.
- b. Program Efficiency
  - i. How can the GHGRF grant competition be designed so that funding is highly leveraged (i.e., each dollar of federal funding mobilizes multiple dollars of private funding)? How can the funding be used to maximize “additionality” (i.e., the extent to which funding catalyzes new projects that would not otherwise occur)? How can EPA balance the need for grants for capacity building and short-term results with financial structures that will allow capital to be recycled over time? Where (if at all) is it appropriate to impose sustainability requirements on direct or indirect beneficiaries of GHGRF funding?

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

## II. Program Structure

- a. Eligible Recipients
  - i. Who could be eligible entities and/or indirect recipients under the GHGRF? What should the thresholds for deployment be – both amount and timing – for GHGRF funding by these entities? Please provide references regarding the total capital deployed by these entities into clean energy and climate projects.
  - ii. What eligible entities and/or indirect recipients would best enable funds to reach disadvantaged communities? What are their challenges and opportunities and how can EPA maximize the use of these channels?
- b. Eligible Projects
  - i. What types of projects/sectors/market segments could EPA prioritize for funding through the eligible recipients?
  - ii. Considering each major project type/sector/market segment, discuss:
    - 1. What are the barriers to private sector capital?
    - 2. Please provide any citations to relevant case studies in low-income and disadvantaged communities, in terms of emissions reductions and other benefits, including cost effectiveness, wealth creation, economic empowerment, workforce development, etc.
    - 3. What project-level gaps could the GHGRF fill for each type of project? What form could capital take to fill these gaps? Please provide references that analyze the deal-level economics for the various types of projects, including whether and how these may vary by geography.
    - 4. Beyond assembling the capital stack for a deal, what other barriers and constraints exist that could constrict the pipeline of successful projects? What program strategies are needed to respond to these barriers and constraints?
  - iii. What types of contracting vehicles and structures will best support rapid deployment of clean technology solutions and direct involvement of the private sector, including in supporting disadvantaged communities?
- c. Structure of Funding
  - i. Are there any potential program design requirements that would impact the ability of recipients to use the GHGRF program funds? How could EPA address these issues through program design? How could recipients comply with relevant federal requirements? How can EPA streamline the distribution of funds so that applicable federal and state review can be accomplished in a coordinated and efficient manner?

## III. Execution, Reporting, & Accountability

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

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

EFAB Mission Fit

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

Type of EFAB Engagement

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

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

Approach

- Convene (fast) expert roundtables and/or listening sessions around topics that will inform implementation of the GHGRF and summarize key takeaways and recommendations.
- Use a mix of interviews, roundtables and/or listening sessions to reach out to conveners, researchers, and others who have engaged deeply with the ecosystem of players who could potentially be involved in the implementation of the GHGRF, ranging from end user beneficiaries to community-based organizations to investors, with a focus on reaching audiences not otherwise readily able to access internal EPA staff.
- Take reference from a range of models that could be used to deliver capital to a diverse range of communities.

EFAB asks EPA to provide a public comment process where a variety of stakeholders may provide input to ensure that EFAB does not miss critical perspectives and viewpoints, which a comment deadline of December 1, 2022.

EFAB GHGRF Charge Workgroups

Kerry O’Neill – EFAB Chair; CEO, Inclusive Prosperity Capital

I. Objectives

Name	Title / Affiliation
Margot Kane	Workgroup Co-Chair; Chief Investment Officer, Spring Point Partners LLC
Cynthia Koehler	Workgroup Co-Chair; Executive Director, WaterNow Alliance

Ashley Allen Jones	Founder and CEO, i2 Capital
Angela Bricmont	Chief Finance Officer, Denver Water
Stacy Brown	President and CEO, Freberg Environmental, Inc.
Theodore Chapman	Investment Banking Analyst, Hilltop Securities, Inc.
Janet Clements	President and Founder, One Water Econ
Jeffrey Diehl	CEO, Rhode Island Infrastructure Bank
George Kelly	Global Client Strategy Officer, Earth Recovery Partners
Lawrence Lujan	Executive Director, Taos Pueblo Utility Service
Dennis Randolph	City Traffic Engineer, City of Kalamazoo Public Services Department
Sanjiv Sinha	Chief Sustainability Officer, Environmental Consulting & Technology, Inc.
David Wegner	Senior Consultant on Water, Climate Change, and Asset Risk Assessment, Water Science and Technology Board, National Academy of Sciences
Gwen Yamamoto Lau	Executive Director, Hawaii Green Infrastructure Authority

II. Program Structure

Name	Title / Affiliation
Ashley Allen Jones	Workgroup Co-Chair; Founder and CEO, i2 Capital
Lori Collins	Workgroup Co-Chair; Owner and Principal, Collins Climate Consulting
Stacy Brown	President and CEO, Freberg Environmental, Inc.
Jeffrey Diehl	CEO, Rhode Island Infrastructure Bank
Eric Hangen	Senior Research Fellow, Center for Impact Finance, Carsey School of Public Policy, University of New Hampshire
Craig Holland	Senior Director of Urban Investments, The Nature Conservancy
Craig Hrinkevich	Public Finance Team – New Jersey Managing Director, Robert W. Baird & Company, Inc.
Margot Kane	Chief Investment Officer, Spring Point Partners LLC
George Kelly	Global Client Strategy Officer, Earth Recovery Partners
Lawrence Lujan	Executive Director, Taos Pueblo Utility Service
Marilyn Waite	Managing Director, Climate Finance Fund
Gwen Yamamoto Lau	Executive Director, Hawaii Green Infrastructure Authority

III. Execution, Reporting, & Accountability

Name	Title / Affiliation
Theodore Chapman	Workgroup Co-Chair; Investment Banking Analyst, Hilltop Securities, Inc.
MaryAnna Peavey	Workgroup Co-Chair; Grants and Loans Bureau Supervisor, Idaho Department of Environmental Quality
Ashley Allen Jones	Founder and CEO, i2 Capital
Stacy Brown	President and CEO, Freberg Environmental, Inc.
Jeffrey Diehl	CEO, Rhode Island Infrastructure Bank
Phyllis Garcia	Treasurer, San Antonio Water System
Eric Hangen	Senior Research Fellow, Center for Impact Finance, Carsey School of Public Policy, University of New Hampshire
George Kelly	Global Client Strategy Officer, Earth Recovery Partners
Cynthia Koehler	Executive Director, WaterNow Alliance
Dennis Randolph	City Traffic Engineer, City of Kalamazoo Public Services Department
Gwen Yamamoto Lau	Executive Director, Hawaii Green Infrastructure Authority

EPA Client

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