

EFAB Charge
Greenhouse Gas Reduction Fund
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Problem / Question Statement

The Inflation Reduction Act of 2022 amended the Clean Air Act to create a new program – the Greenhouse Gas Reduction Fund (GGRF). The GGRF includes: (1) \$7 billion for competitive grants to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, with a focus on distributed residential solar technologies [Solar for All/SFA] ; (2) nearly \$14 billion dollars for competitive grants to eligible entities to provide direct and indirect financial and technical assistance to projects that reduce or avoid greenhouse gas emissions [National Clean Investment Fund/NCIF]; and (3) \$6 billion for competitive grants to eligible entities to provide direct and indirect financial and technical assistance to build capacity for community lenders in low-income and disadvantaged communities to finance projects that reduce or avoid greenhouse gas emissions [Clean Communities Investment Accelerator]. Grants focus on three main project types: a) Clean Energy Generation; b) Net Zero Buildings; and c) Net Zero Transportation. A key element of GGRF is to catalyze an ongoing and sustainable financing ecosystem to support the ongoing clean energy transformation.

EPA Announced the first set of these grant selections on April 4, 2024, including three selections under NCIF and five selections under CCIA, representing \$20 billion in total funding. EPA will soon announce selections for the Solar for All grants. The GGRF has three main program objectives:

1. Reduce greenhouse gas emissions and other air pollutants.
2. Deliver the benefits of greenhouse gas- and air pollution-reducing projects to American communities, particularly low-income and disadvantaged communities.
3. Mobilize financing and private capital to stimulate additional deployment of greenhouse gas and air pollution reducing projects.

Under the GGRF, capital mobilization is defined as “the total capital contributions toward projects that are financed by the grantee, excluding grant funds. Total capital contributions may include financing provided by the grantee with funds raised from private capital providers (including through balance-sheet leverage and securitizations), additional sources of financing provided to project sponsors from private capital providers, and equity contributions from project sponsors. Private capital mobilization is defined as a subset of capital mobilization, excluding capital contributions (such as tax credits and other financial incentives) from federal, Tribal, state, territorial, and local government entities.”

GGRF financial assistance constitutes “financial products, including debt (such as loans, partially forgivable loans, forgivable loans, zero-interest and below-market interest loans, loans paired with interest rate buydowns, loan purchases, secured and unsecured loans, lines of credit, subordinated debt, warehouse lending, loan purchasing programs, and other debt instruments), equity (such as equity project finance investments, private equity investments, and other equity instruments), hybrids (such as mezzanine debt, preferred equity, and other hybrid instruments), and credit enhancements (such as loan guarantees, loan guarantee funds, loan loss reserves, and other credit enhancement instruments).”

EPA seeks the advice of the EFAB regarding GGRF’s execution and achievement of the third main

program objective: ***Mobilizing financing and private capital to stimulate additional deployment of greenhouse gas and air pollution reducing projects.***

EPA seeks input across the following set of considerations and questions, for each of the three main priority project domains:

1. Core project typologies

Convene experts in each arena/sub-arena

1. Clean Energy: Solar (single-family, multi-family, community), Wind/Geo, other
2. Buildings: Electrification and Energy Efficiency (single-family, multi-family, community)
3. Transportation: Electrification (passenger, commercial, battery/storage, charging)

2. Points of entry for financial leverage

Convene experts in each arena/sub-arena

1. Project level
2. Enterprise finance/community-based lenders and business enterprises
3. GGRF direct recipient-level

3. Scope and Scale of Private Funding/Financing

Convene experts in private capital

1. Type of leverage (debt/equity/hybrid, etc.)
2. Minimum scale and risk requirements
3. Barriers/limitations

EFAB Mission Fit

EFAB's mission is to explore ways to lower costs and increase investments in environmental protection. GGRF creates valuable new capacity through existing and new channels for funding greenhouse gas reductions and is positioned to deliver gains to underserved communities where GHG solutions are often compromised by high financing risks (capacity for repayment, access), lack of clear delivery systems (ability to reach beneficiaries) and awareness of potential solutions.

Approach for EFAB Engagement

Given the tight timeline for grant contracting and the further refinement of financial assistance mechanisms and capital leverage goals that will occur as part of the grant contracting process, OGGRF proposes that EFAB move quickly to deliver insights and recommendations through convening expert discussions around each specific priority technical finance/GHG priority project arena. OGGRF will take direct responsibility for creating any formal documentation of sessions beyond session recordings and notes.