GREENHOUSE GAS REDUCTION FUND

CHARGE TO EFAB ON PRIVATE CAPITAL MOBILIZATION

APRIL 2024

THE GREENHOUSE GAS REDUCTION FUND IS A HISTORIC INVESTMENT IN AMERICAN CLEAN FINANCE

History of the Greenhouse Gas Reduction Fund Program

The Greenhouse Gas Reduction Fund is a historic investment to achieve the climate goals of the United States

- **President Biden's Inflation Reduction Act authorized EPA** to implement the Greenhouse Gas Reduction Fund
- **The Greenhouse Gas Reduction Fund is a historic $27 billion investment** to combat the climate crisis by mobilizing financing for greenhouse gas- and air pollution-reducing projects in communities across the country
- **This bold investment will improve health outcomes and deliver lower energy costs for Americans** while ensuring our country's economic competitiveness and energy independence

EPA prioritized robust stakeholder engagement during program implementation

- **Almost 400 public written comments** submitted to the EPA in response to a public Request for Information
- **Over 12 hours of national public listening sessions with over 2,200 registrants** and more than a dozen targeted stakeholder roundtables between October 2022 and May 2023
- **Nearly 150 additional written comments** received in response to the April 2023 Implementation Framework

EPA created three distinct and complementary grant competitions to catalyze American clean investment

- **EPA intends the program to further the three Greenhouse Gas Reduction Fund program objectives** of reducing greenhouse gas emissions and air pollution; providing benefits to American communities, particularly low-income and disadvantaged communities; and mobilizing financing and private capital to transform markets
- **The three Greenhouse Gas Reduction Fund grant competitions** will scale deployment of clean technologies nationally, build community clean financing capacity locally, and spur adoption of clean distributed solar energy
- **The application period for the GGRF closed on October 12, 2023. Selections made in April 2024.**

THE GREENHOUSE GAS REDUCTION FUND (GGRF) HAS THREE PROGRAM OBJECTIVES

The three Greenhouse Gas Reduction Fund program objectives

Reduce emissions of greenhouse gases and other air pollutants

Tackle the climate crisis and protect public health by supporting the climate goals of the United States to reduce greenhouse gas emissions 50-52 percent below 2005 levels in 2030 and achieve net-zero emissions by no later than 2050

Deliver benefits to American communities—especially low-income and disadvantaged communities

Maximize the benefits of GGRF investments—such as energy bill savings, pollution reduction, and workforce development—to American communities, especially low-income and disadvantaged communities

Mobilize financing and private capital to stimulate additional deployment

Catalyze market transformation by addressing the barriers to mobilizing private capital into clean projects in undercapitalized markets and facilitating tens of thousands of clean technology projects that deliver tangible benefits to millions of American households

TO ACHIEVE THESE THREE OBJECTIVES, THE GGRF PROGRAM RAN THREE GRANT COMPETITIONS

Overview of the Greenhouse Gas Reduction Fund competition structure

	National Clean Investment Fund	Clean Communities Investment Accelerator	Solar for All
Competition description	**Fund national nonprofit financing entities to create national clean financing institutions** capable of partnering with the private sector to provide accessible, affordable financing for tens of thousands of clean technology projects nationwide	**Fund hub nonprofits to provide funding and technical assistance to specific networks** of community lenders, financing clean technology projects in low-income and disadvantaged communities while simultaneously building the capacity of community lenders that serve those communities	**Fund states, territories, Tribal governments, municipalities & nonprofits** to develop long-lasting programs that enable low-income & disadvantaged communities to deploy and benefit from distributed residential solar
Grantees	**3** national nonprofit financing entities	**5** hub nonprofits	**Up to 60** government and nonprofit financing grantees
Funding amount	**$14 billion**	**$6 billion**	**$7 billion**
Selections Announced	**April 4, 2024**	**April 4, 2024**	**SOON!!**

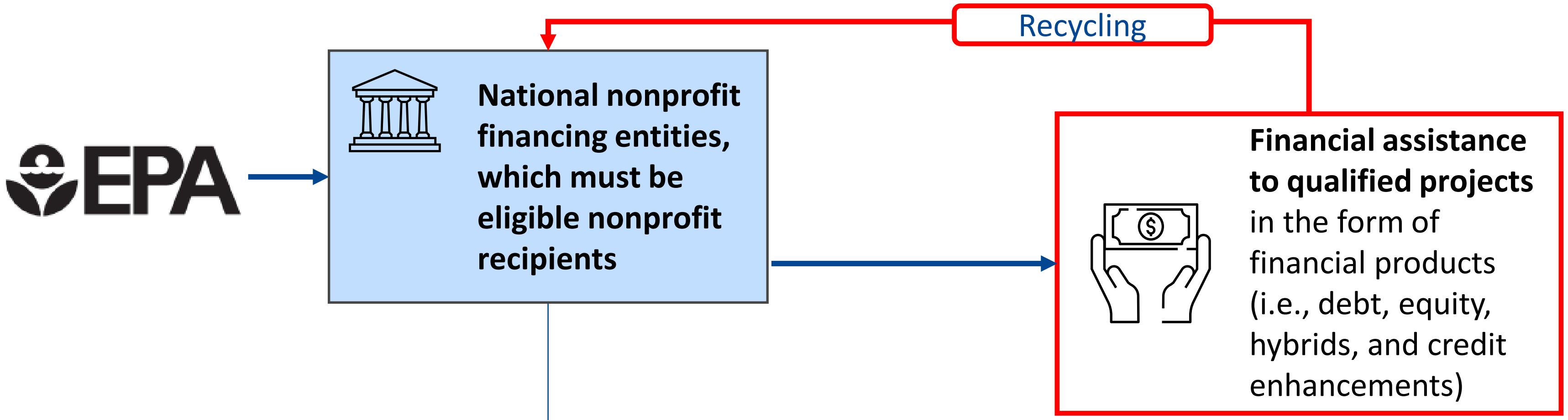
NATIONAL CLEAN INVESTMENT FUND GRANTEES WILL FINANCE TENS OF THOUSANDS OF PROJECTS NATIONWIDE

Overview

EPA selected 3 national nonprofit financing entities to **create national clean financing institutions capable** of partnering with the private sector to provide accessible, affordable financing for tens of thousands of clean technology projects nationwide

At least 40% of program funds must be used **for the purposes of providing financial assistance in low-income and disadvantaged communities**

National Clean Investment Fund flow of funds



National Clean Investment Fund grant recipients develop long-lasting programs that:

- **Provide financing to individuals, families, nonprofits, businesses, and others** deploying qualified projects
- **Provide financing to community lenders and other similar institutions** so that they can, in turn, provide financing to the communities that they serve
- **Support predevelopment and market-building activities** that are reasonable and necessary to deploy financial assistance to qualified projects
- **Mobilize private capital,** with each dollar of public funds generating several times more private investment

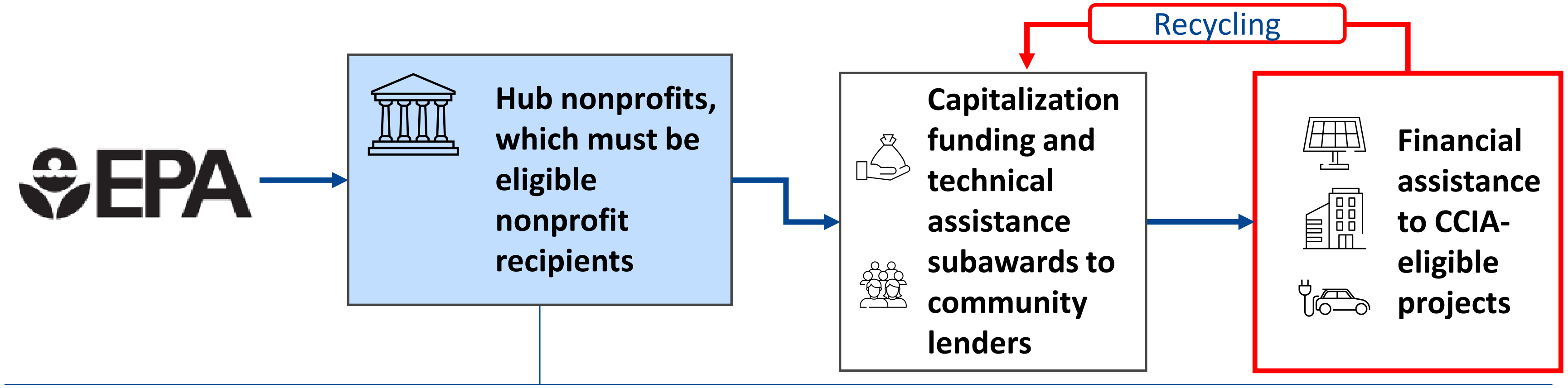
CLEAN COMMUNITIES INVESTMENT ACCELERATOR GRANTEES WILL BUILD CAPACITY OF HUNDREDS OF COMMUNITY LENDERS

Overview

EPA selected 5 hub nonprofits that will provide **funding and technical assistance to public, quasi-public, not-for-profit, and nonprofit community lenders,** supporting the goal that every community has access to capital to deploy clean technology projects

100% of program funds must be used **for the purposes of providing financial and technical assistance in low-income and disadvantaged communities**

Clean Communities Investment Accelerator flow of funds



Clean Communities Investment Accelerator grant recipients develop long-lasting programs that:

- **Provide capitalization funding (up to $10M, unless EPA provides an exception) to community lenders,** which could include community development financial institutions (including Certified Native CDFIs), credit unions, green banks, housing finance agencies, minority depository institutions, and others
- **Provide technical assistance subawards (up to $1M, unless EPA grants an exception)** as well as **technical assistance services** to community lenders
- **Focus exclusively on CCIA-eligible projects,** which are qualified projects in three priority project categories (distributed energy generation and storage, net-zero emissions buildings, and zero-emissions transportation) that are in low-income and disadvantaged communities

TYPES OF PROJECTS ARE DIFFERENT

National Clean Investment Fund (NCIF)

The project must meet the following six requirements to be a "qualified project" that is eligible under NCIF:

a. The project, activity, or technology **would reduce or avoid greenhouse gas emissions…**
b. The project, activity, or technology **would reduce or avoid emissions of other air pollutants…**
c. The project, activity, or technology would **deliver additional benefits** (i.e., in addition to reducing or avoiding emissions of greenhouse gases and other air pollutants)…
d. The project, activity, or technology **may not have otherwise been financed….**
e. The project, activity, or technology **would mobilize private capital…**
f. The project, activity, or technology **would support only commercial technologies…**

Clean Communities Investment Accelerator (CCIA)

The project must be a qualified project (see definition on left-hand side)

and

The project must also be within at least one of three priority project categories

- Distributed energy generation and storage
- Net-zero buildings
- Zero-emissions transportation

OVERVIEW OF NCIF AND CCIA SELECTIONS

EPA has made three selections under the $14B National Clean Investment Fund:

- 1a **Climate United Fund ($6.97B):** A coalition led by three leading mission-driven lenders and investors (Calvert Impact, Community Preservation Corporation, Self-Help Ventures Fund) with a proven track record of mobilizing $30 billion in private and institutional capital focused on economic opportunity and environmental sustainability in low-income and disadvantaged communities
- 1b **Coalition for Green Capital ($5.00B):** A new, national green bank that will partner with an existing network of state and local green banks across the country, which has collectively catalyzed $20 billion in investment into qualified projects
- 1c **Power Forward Communities ($2.00B):** A national housing decarbonization finance program led by leaders in community development finance (LISC, Enterprise), electrification (Rewiring America), and affordable housing (United Way, Habitat for Humanity)

EPA has made five selections under the $6B Clean Communities Investment Accelerator:

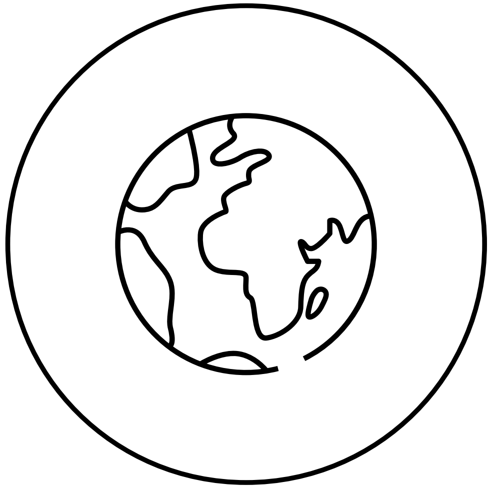
- 2a **Opportunity Finance Network ($2.29B):** A leading industry group with a 40-year record serving community development loan funds
- 2b **Inclusiv ($1.87B):** A leading industry group with a 50-year record serving community development credit unions and *cooperativas*
- 2c **Native CDFI Network ($400M):** A critical umbrella organization that supports and advocates for Native CDFIs
- 2d **Justice Climate Fund ($940M):** A new organization serving a broad cross-section of community lenders in hard-to-reach communities
- 2e **Appalachian Community Capital ($500M):** A community development finance organization with a decade-long track record in Appalachian communities that is establishing a "Green Bank for Rural America" initiative to expand capital access in coal, energy, underserved rural, and Tribal communities

*These eight awards will create a **national clean financing network to finance climate and clean energy projects**—especially in low-income and disadvantaged communities*

TOGETHER, THE NATIONAL NETWORK WILL MAKE A SIGNIFICANT IMPACT AGAINST GGRF PROGRAM OBJECTIVES

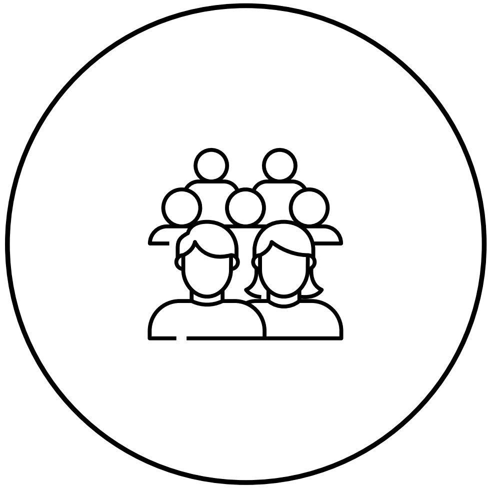
Commitments based on submitted application packages

Reduce emissions



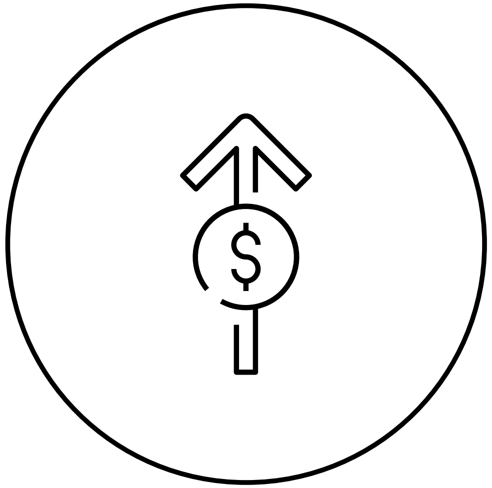
Reduce/avoid ~40 million mt CO_2e in greenhouse gas emissions annually, *making a significant contribution to the U.S. climate goals*

Deliver benefits to communities



Dedicate over 70% of funds to low-income and disadvantaged communities *that will benefit most from projects through high-quality jobs, cost savings, health benefits, and more*

Mobilize financing and private capital



Achieve nearly a 7x private capital mobilization ratio, *leveraging every dollar of public investment into nearly seven dollars of private investment over the next seven years*

SOLAR FOR ALL GRANTEES WILL TACKLE FINANCIAL AND NON-FINANCIAL BARRIERS TO RESIDENTIAL DISTRIBUTED SOLAR

Overview

EPA will award grants to states, territories, Tribal governments, municipalities, and eligible nonprofit recipients to **create long-lasting programs that provide financial & technical assistance to rooftop residential solar projects and residential-serving community solar**

100% of program funds must **enable low-income & disadvantaged communities to deploy and benefit from residential distributed solar**

Solar for All flow of funds

EPA → **States, territories, Tribal governments, municipalities, & eligible nonprofit recipients** → **Financial and technical assistance to rooftop residential solar & residential-serving community solar** as well as associated storage & enabling upgrades

Solar for All grant recipients develop long-lasting programs that:

- **Provide grants, loans, and other forms of low-cost capital** to rooftop residential and residential-serving community solar projects
- **Support communities to deploy** residential distributed solar with technical assistance such as workforce development, project-deployment support (e.g., siting, permitting, interfacing with utilities), and other activities to address non-financial barriers to solar deployment
- **Address policy and regulatory barriers to residential distributed solar and leverage existing favorable policies** by engaging with stakeholders on net metering, third-party ownership, & other relevant policies

SOLAR FOR ALL FUNDS MAY BE USED FOR FINANCIAL & TECHNICAL ASSISTANCE AND NECESSARY ADMINISTRATION

Definitions of grant use-of-funds activities

	Financial Assistance	Project-Deployment Technical Assistance	Program Administration
Definition	Financial payments to residential distributed solar projects consistent with the definition of *Federal Financial Assistance* in 2 CFR § 200.1 and *Participant Support Costs* in 2 CFR § 1500.1[1]	Services and tools provided by grantees to communities and energy stakeholders to overcome non-financial barriers to solar deployment	Expenditures that are necessary and reasonable for the performance of the award consistent with 2 CFR § 200.403
Examples	• Subgrants • Rebates • Debt (e.g., loans, forgivable loans, soft loans)	• Workforce development programs • Customer outreach and education • Project-deployment assistance including support with project siting, permitting, and interconnection • Utility coordination for the purposes of project deployment	• Staff for administration (e.g., underwriting, reporting) • Procuring services and tools that support the grantee in program design (e.g., technical assistance from the DOE National Laboratories to support the grantee directly for program design)

1. An applicant may propose a financial assistance strategy which generates program income (as defined at 2 CFR § 200.1 and includes, but is not limited to, repayments of the principal on loans, interest on loans, loan origination fees and may include other income from investments of GGRF grant funds). EPA specific rules on program income are provided at 2 CFR § 1500.8. EPA will negotiate terms and conditions governing program income with a successful applicant who will use EPA funding to capitalize revolving loan funds.

THERE ARE FOUR TECHNOLOGY CATEGORIES ELIGIBLE FOR FINANCIAL AND TECHNICAL ASSISTANCE FROM SOLAR FOR ALL

Competition terminology for eligible zero-emissions technology

Category	Residential rooftop solar	Residential-serving community solar	Associated storage	Enabling upgrades
Definition	**Behind-the-meter solar, including rooftop, pole-mounted, and ground-mounted photovoltaic (PV) power-producing facilities** Assets which support households in single-family homes, manufactured homes, or multifamily buildings	**PV facilities with up to 5 MW_{ac} nameplate capacity** Facilities that deliver at least 50% of the electricity generated by the facility to residential customers in the same utility territory as the facility	**Infrastructure to store solar power for the purposes of maximizing residential rooftop solar and residential-serving community solar** Storage infrastructure should be deployed in conjunction with a residential solar project to maximize program benefits	**Investments in energy & building infrastructure that ensure a building is "solar ready" and to maximize benefits of solar deployment for households** (e.g., roof repairs, energy efficiency) Financial assistance should be used in conjunction with financial assistance for a solar project Financial assistance for enabling upgrades should be no more than 20% of financial assistance during the program period

PROPOSED CHARGE TO EFAB

OGGRF is seeking input and insight across the following set of considerations and questions, for each of the three main priority project domains:

Barriers to Private Capital Finance

- What are the main barriers to private capital access for each priority area?
- Barriers to private capital from the demand-side
- Barriers to private capital from the supply side barriers
- How do these barriers play out at the point of financing?

Transaction Typologies

- What are the most sought-after mechanisms to reduce barriers for capital suppliers?
- What do equity providers need to enter?
- What do debt providers need to enter?
- Where is private capital most likely to enter in the deal process and capital stack?

Capital Providers

- Given the barriers and pipelines, what type of capital providers are the most likely to "fill the gap" for GGRF projects?
- What types of organizations can provide equity? Debt? Hybrid Instruments?
- Type and scale of capital allocation?