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Greenhouse Gas Reduction Fund Request for Information

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Executive Summary

The Center for Impact Finance at the Carsey School of Public Policy, University of New Hampshire, greatly appreciates the opportunity to respond to the EPA's Request for Information on the Greenhouse Gas Reduction Fund (GHGRF).

We are writing to express our commitment to working with the US Environmental Protection Agency (EPA) to ensure that low-income and disadvantaged communities (DACs) — especially communities of color, Native Nations, and those that are under-resourced — will benefit significantly from the deployment of this Fund. We are also writing to offer some concrete recommendations to ensure efficiency, effectiveness, accountability, and above all else equity in implementation.

Before elaborating on the details of the EPA's Request for Information, we are providing a set of core principles that we hope EPA will consider as it makes decisions about program implementation.

A single core principle provides the foundation for our other recommendations: **EPA should insist on democratic, community accountability in the investment of these dollars, with a transparent and fair process at all levels, consistent with the fundamental environmental justice principle of self-determination.**

We urge EPA to ensure that direct and indirect recipients of any funds intended for low-income and disadvantaged communities have a **governance structure in place that is accountable to those communities.** The CDFI Fund has developed a rule to assess community accountability that we believe provides a good model for EPA to adopt. Members and representatives of DACs understand their communities in all their breadth and diversity. They are best positioned to make the hard decisions among technologies, projects, and competing priorities and to determine what will bring the deepest, most impactful, and equitable benefits. DACs themselves have the strongest incentives to stretch and leverage scarce federal resources, prioritizing qualified projects that would otherwise lack access to financing and are truly additive. Grounded in their local

economies, DAC members can structure investments to create meaningful co-benefits, leveraging the federal dollars into quality jobs, redevelopment, improved health, and wealth-building opportunities.

Further, we urge that EPA to follow these recommendations in the implementation of the Greenhouse Gas Reduction Fund:

- **Prioritize substantially all the GHGRF funding for low- and moderate income and disadvantaged communities**, including the “general assistance” \$12 billion pot. Some portion of the general assistance pot, however, should remain available to serve middle-income households, e.g. up to 120% of Area Median Income (AMI). We believe that doing so will not only maximize social benefits, but environmental benefits as well.
 - There are many opportunities for relatively small, community-based projects in these communities that add up to massive potential for GHG reduction and market transformation. For example, there are 12.5 million LMI households living in multifamily buildings, where decarbonization retrofits could reduce 38 million metric tons of carbon dioxide equivalent emissions – a 41% reduction from current estimated emissions in the multifamily housing sector. Similarly large opportunities exist to retrofit single-family homes, grow low-income-serving community solar, and provide solar and storage for homes and community facilities.
 - Investing in these communities ensures that EPA will achieve the clear expectation for additionality established in the legislation – these are the communities that have lacked access to capital, and where adoption of clean energy and efficiency lags behind other communities. At the same time, it will help to alleviate the crippling energy cost burdens these communities face, generate positive health impacts, build resilience, and create millions of quality jobs.
 - We urge EPA to define “low income and disadvantaged communities” in a way that ensures that these once-in-a-generation funds provide meaningful benefits for them. We recommend that EPA utilize the CDFI Fund definition of eligible “Target Markets” to identify these communities, including both consideration of individual borrower characteristics as well as the communities where borrowers are located. Whether or not EPA adopts this definition, it should make sure the definition is narrow enough to focus funds on the people and places most in need.
- **Utilize existing organizational infrastructure to reach DACs and drive market transformation.** EPA’s strategy should focus on helping the vast network of community development organizations across the country to structure investments to ensure that greenhouse gas reduction is engineered into **every deal, every building, every business, every project, everywhere, for everyone.**
 - Existing community development organizations already have trusting relationships with a huge customer base. For example, just a few networks of affordable housing nonprofits – such as Housing Partnership Network, NeighborWorks America, Local Initiatives Support Corporation (LISC) and Enterprise – serve around a million affordable housing units across the country, providing rich opportunities for heat pumps and solar and storage projects. The Community Development Credit Unions in the Inclusiv network serve over 18 million customers and hold over 4.5 million vehicle loans on their books. In the future, these could be electric vehicle loans. One single Community Development Financial Institution, Capital

Link, works with a network of 1,400 health centers serving low-income communities at 14,000 sites. It has identified opportunities for solar and storage projects with over 20 million tons of carbon abatement potential across these sites.

- Mission-driven and low-income-focused financial institutions – such as CDFI loan funds, Community Development Banks and Credit Unions, Minority Depository Institutions, State Housing Finance Agencies, and Low-Income Credit Unions – hold \$1.5 trillion in assets. The perception that these institutions “don’t do green lending” is incorrect. Even the smallest of these sectors, CDFI loan funds, already originate around \$450 million per year in clean energy loans, equal to the annual production of green banks; that figure is almost certainly an undercount. Individual mission-driven banks hold billions of climate loans in portfolio (like Amalgamated Bank) and have financed hundreds of megawatts of solar (like National Cooperative Bank). EPA could drive billions more into mission-driven climate finance by supporting these “capillaries of the financial system” with GHGRF dollars.
- **Invest in strategic market building and collaborative organizational ecosystems, not “one and done” big projects and balance sheets.**
 - Without a doubt, GHGRF dollars should provide equity and other financial tools to help mission-driven lenders expand their green financing activities – but these lenders already have a lot of capital available to lend. While making financing available on better terms is one key ingredient to serving low-income communities, it is also critical to address non-financial barriers that keep many GHG reduction opportunities in these communities from even being identified, and that subsequently can prevent them from moving forward. These issues include knowledge barriers, trust issues, non-energy-related issues in buildings that prevent retrofits from being implemented, capacity limitations among project developers and installers, workforce availability, and the need for technical, regulatory and financial expertise to evaluate options for projects and assemble a financeable deal.
 - To address these nonfinancial barriers, **EPA should incentivize and prioritize strategies that demonstrate meaningful community-level coordination, cooperation, and collaboration across the project development, financing, and implementation ecosystem.** That ecosystem – community-based organizations, community development finance entities, their investors and partners, project developers, contractors, technical assistance providers, and workforce development entities – is well-positioned to leverage EPA dollars into a robust pipeline of GHG reduction projects, but needs support to do so. These “ecosystem-building” needs include support for community planning and outreach efforts, capacity building and working capital for clean energy project developers and installers, funding for technical assistance providers, training, workforce development, shared infrastructure to reduce operating burdens for developers and lenders, and early-stage predevelopment financing. While other Inflation Reduction Act (IRA) funding sources are focused on filling gaps in capital stacks, the GHGRF is one of the only IRA programs that has the flexibility to meet these needs. We are particularly enthusiastic about supporting “accelerator” types of models that offer free engineering/design assistance, work scoping, hand holding, evaluation of financing options, integration of available grants/incentives, and other process supports that make it easier to develop and lend to clean energy and building decarbonization projects and will drive more uptake.

- We welcome the large-scale investments in utility-scale renewables and coal plant retirements that the Inflation Reduction Act will help to bring about. That said, there is no need for the GHGRF to further incentivize these “one and done” projects. Instead, we urge EPA to prioritize workforce development, innovation, “first project” support, predevelopment, and other strategic investments that will bear fruit many times over.
- While we may be able to identify the best technologies available today, we can’t know what is just beyond the horizon. Robust ecosystems can adapt to deploy these new technologies, building upon their expertise, experience, and trusted relationships.
- **Achieve economic transformation and a just transition by flowing dollars to communities on the terms they need.** To succeed in low-income communities, many decarbonization projects will require grant incentives, gap financing, and technical assistance to accomplish. Many others will require long-term, below-market financing. Large-dollar, conventional projects will attract market financing—and should be disqualified from receiving assistance from the GHGRF. Instead, EPA should prioritize the smaller-dollar, community scale projects that struggle to access funding, even with the other incentives in the IRA.
- **Fund multiple recipients** out of each of the three pots of money in the Greenhouse Gas Reduction Fund. We do not think that a single, mission-driven entity currently exists that has the capability of administering more than a few billion dollars of this money. We are concerned about the political and financial risks to EPA if a single funded entity were to experience administrative difficulties – which are more likely the more money an entity is allocated. We are also concerned about concentrating power in a single entity, particularly to the extent that it does not have the highest levels of accountability to and partnership with low-income communities in place.

Background

Over the past two years, we have conducted a series of engagements to understand the opportunities and challenges to bring clean energy projects to low-income and underserved communities. These activities have included:

- Interviews with over 200 individuals from a range of sectors including mission-driven solar developers, grassroots community organizations, Community Development Finance Institutions (CDFIs), green banks, climate equity policy advocates, banks, philanthropies, corporate investors, and financing intermediaries.
- Three [Financial Innovations Roundtable](#) events, held in partnership with the Federal Reserve Banks of San Francisco and New York, that engaged over 200 participants – “Expanding the Field of Climate Finance,” held in the fall of 2020; “Scaling Equitable Solar Finance,” held in the spring of 2021, and “Advancing Clean Energy Equity,” held in the spring of 2022.
- Seventeen facilitated focus groups with over 150 participants around the deployment of clean energy technology and energy efficiency measures in low-income communities, in which we [discussed various sectoral opportunities to abate carbon](#) in these communities including low-income solar, multifamily housing retrofits, single family housing retrofits, small business lending, transportation and EVs, and commercial real estate and community facilities.

- Conducting training courses in [solar lending](#) and [community solar development](#), with over 350 participants representing over 170 organizations. Alumni from our solar lending courses have gone on to originate over \$2 billion in solar loans during the 12 months ending in July 2022.

The insights gained from these events, shared below, highlight the tremendous opportunity to achieve scaled greenhouse gas reductions and meaningful co-benefits in low-income and disadvantaged communities.

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Section 1: Low-Income and Disadvantaged Communities

- 1. What should EPA consider when defining “low income” and “disadvantaged” communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?**
 - EPA should consider using definitions already common to the community development field, such as CDFI Fund Target Market. Note that the CDFI Fund allows projects to qualify based on both based on geography and on individual borrower income. This is important because not all low-income people live in low-income census tracts. The CDFI Fund also allows small businesses owned by disadvantaged populations, such as low-income or minority business owners, to qualify.
 - That said, we do believe that the recently released White House environmental justice screening tool is a viable option, although projects that serve low-income individuals or disadvantaged small businesses should qualify.
 - EPA should ensure meaningful targeting and avoid setting up so many routes to qualify that the money is watered down. For instance, earlier legislation that would have established a national “Clean Energy and Sustainability Accelerator” contained draft language that would have included a long list of qualifiers as low-income and disadvantaged communities, such as “energy communities” (impacted by fossil fuel transitions), “fenceline communities” (within so many miles of a major emitter), and “climate vulnerable” communities (such as coastal communities), as well as various definitions of low-income communities. While the legislation was a well-intentioned attempt to be inclusive, a UNH analysis found that the law would have qualified 83% of the US population as living in a “low-income or disadvantaged community.”
 - We suggest that to qualify, projects should have some benefit for low-income and disadvantaged communities, not merely be “in” them geographically, a point we will discuss in more detail later.

We urge EPA to ensure that substantially all the GHGRF dollars are invested in low- and moderate- income and disadvantaged communities or borrowers, including the \$10 billion in “general assistance” funds. We support this argument in more detail later on. Here, we emphasize the ease of doing so. If we assume, for example, that EPA uses the White House environmental justice screening tool, the tracts identified as “low-income” and/or “disadvantaged” in v1 of that tool contain over 115 million people, representing 35% of the US population. If we add to that list the 60 million low-income people (under 80% of Area Median Income (AMI)) who live in tracts not flagged in the tool, the total borrower base meeting a low-income or disadvantaged criterion would grow to 54% of the US population. We do think some degree of flexibility should be provided for a portion of the \$10 billion “general assistance” bucket to assist moderate-income borrowers between 80-120% of AMI.

- 2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?**

- (Note that types of assistance needed vary by sector – please see our discussion of project types in Section 3). As general recommendations:
- First, **EPA should strike a balance between building lender balance sheets and building markets.** A portion of GHGRF money should be allocated to balance sheet equity for green lending programs, because it will help these lenders make longer-term, lower-cost, and higher-risk loans than they could otherwise, in turn helping more deals (and more impactful deals) to pencil. As several commenters have noted to EFAB, it is critical that money flow on more favorable terms to projects in low-income communities than most lenders are currently able to provide. GHGRF dollars can make that difference, while also supporting the financial sustainability of mission-driven lenders.

However, we believe EPA will maximize impacts by directing a significant share of GHGRF dollars towards financial and technical assistance that builds markets. Among both green banks, CDFIs, and other community lenders, there is currently a lot of capital available to lend. One large green bank, for example, shows a deployment ratio of only about 55 percent per an analysis of its 2021 audited financials, and another is below 50%. (To put that number into context, the US Department of Treasury has historically set a “minimum prudent standard” for CDFI deployment ratios at 60%, and a strong deployment ratio would be above 80%). Deployment ratios have dipped across the CDFI industry as well, with average levels now below 80%.¹ As the Kresge and Schmidt foundations noted in their letter to EPA, due to demand-side issues, “much of the capital we have invested [in Green Banks, CDFIs, and other intermediaries] has either not been put to use in a timely fashion, if at all, or not been utilized as originally intended.” In our study on [ecosystem-building needs for clean energy project finance](#), we documented multiple interviews with lenders who reported they were “a lot more worried about finding the deals than finding the money,” as one interviewee put it.

In short, while making financing available on better terms is one key ingredient to serving low-income communities, it is equally critical to address non-financial barriers that keep many GHG reduction opportunities in these communities from even being identified, and that subsequently can prevent them from moving forward. The multitude of project developers, lenders, and community advocates we have interviewed over the past two years cited the following the barriers:

- The presence of other critical issues that must be addressed either before GHG abatement projects can be implemented. Homeowners who are dealing with leaky roofs or small business owners striving to keep the doors open need clean energy and efficiency to be an integrated part of a package that addresses their truly pressing needs, not an additional burden they must take on.
- A justified lack of trust in whether actors from outside the community - such as developers, lenders or utility companies – have the community’s best interests at heart.
- Lack of knowledge about opportunities for efficiency, renewable energy, and electrification that keeps homeowners, building owners, and other community members from acting on otherwise viable opportunities.
- Need for technical, regulatory, and financial expertise to evaluate options for projects and assemble a financeable deal.
- Lack of balance-sheet and operational capacity of community-based and mission-driven organizations who are otherwise ready and committed to pursuing GHG reduction projects.

¹ Aeris (2022). “Performance still holding steady as CDFIs emerge from the pandemic yet continue to face a challenging economy.” CDFI Loan Funds Trends Report for 6/30/22.

- Lack of scaled, shared operating platforms to help lenders, installers and developers work together efficiently on behalf of their customers.
- Lack of skilled workforce to install retrofits and build projects.
- There are several types of investments that EPA can prioritize to build markets – facilitating deployment, creating robust pipelines of deals in low-income communities, and ultimately leveraging more money and doing more to support the growth of green lenders than if they kept all the money as balance sheet equity:
 - Investments to support communities in planning for an equitable and just energy transition, similar to the US Department of Energy’s [Communities LEAP](#) program (which is underfunded in our opinion). The [Justice40 accelerator program](#) is another example of well-designed, community-based technical assistance to build the capacity of communities to access public resources for energy, environmental, and climate solutions.
 - Partnerships with community-based organizations and lenders to conduct grassroots outreach campaigns, such as [solarize](#) and weatherize campaigns, coupled with accessible technical assistance. For instance, NeighborWorks of Western Vermont, a grassroots CDFI in Rutland, has used grassroots marketing techniques, combined with low-cost home energy audits to reach thousands of homeowners through its [HEAT Squad](#) home energy efficiency program.
 - Capacity-building and working capital investments in mission-driven clean energy project developers such as [Groundswell](#), [GRID Alternatives](#), [SunWealth](#), and [Cooperative Energy Futures](#), among many others. Such investments can help these and similar organizations, including smaller start-ups and MWBE solar developer businesses, to recruit staff, find sites, and build a pipeline of investable deals.
 - Formation of technical assistance and training accelerators that provide a one-stop-shop helping building owners, solar project developers, contractors, installers and lenders to do their work more efficiently. These hubs should offer free engineering/design assistance, work scoping, hand holding, evaluation of financing options, integration of available grants/incentives, training, and other process supports that make it easier to develop and lend to clean energy and building decarbonization projects. Some state entities (such as NYSERDA in New York) have played a valuable role as accelerators who help to boost overall GHG reduction activity in LMI communities. A set of regional accelerators could be supported with GHGRF money – large enough to operate efficiently and close enough to communities to respond to local needs. These accelerators could leverage and support existing training and technical assistance providers, such as the members of the [Relay Network](#) or Emerald Cities Collaborative’s [RENEW](#) program who help affordable housing owners to green their portfolios, solar technical assistance providers like [Solar United Neighbors](#) and [Solar One](#), and university programs, such as UNH’s [community solar development learning lab](#) and the [Vermont Law School Energy Clinic](#). On a sectoral level, the US Department of Energy’s “[Credit Ready Solar Initiative](#),” part of the [National Community Solar Partnership](#), is a singularly effective model to build an entire, mission-driven ecosystem of low-income community solar developers, TA providers and lenders.

- Support for operating platforms to help project developers / installers and lenders work more efficiently, helping to get more deals done and lower costs for everyone. An excellent example of this kind of platform is the [Smart-E](#) program, developed by a trio of green banks (Michigan Saves, the Connecticut Green Bank, and the Colorado Clean Energy Fund) and now being expanded nationally by Inclusive Prosperity Capital, another green bank. These platforms could also provide standardized documentation.
- Support for information infrastructure that allows building owners to access energy usage data and benchmark building performance
- Investments in workforce development programs such as the [Emerald Cities Collaborative HVAC training](#) program or [GRID Alternatives' workforce programs](#), which have touched over 30,000 people. These programs will make sure that the lack of a skilled workforce does not become the bottleneck to GHG reduction while generating jobs to benefit low-income communities. In our focus groups, clean energy project developers already have cited workforce limitations as one of their most pressing concerns, and a number of knowledgeable observers have raised concerns about [“the coming scramble for clean energy workers.”](#)
- Investment in a “climate equity fellows” program that would provide people from low-income and disadvantaged communities with training and professional work experience with mission-driven players in the ecosystem. For example, this program might help recent graduates of HBCUs to work for an organization providing energy retrofit technical assistance to affordable housing providers, for a minority-owned community solar development company, or for a nonprofit clean energy lender, and pair that work experience with training and peer networking support.
- Planning and programming these ecosystem-building investments should be “sector-specific” (meaning sectors like single-family home retrofits, multifamily affordable housing decarbonization, EVs, low-income community solar, small business, and community facilities). In partnership with the Natural Resources Defense Council, the Center for Impact Finance has developed a series of [“Equitable Strategy Maps”](#) for GHGRF deployment that are organized around these sectors. Both EPA and prospective applicants may find this guidance useful.
- Entities helping to build markets in low-income and disadvantaged communities must have meaningful track record and skills working in these communities, including cultural competencies, irrespective of whether they are community-based organizations or larger institutions partnering with these organizations. EPA should value:
 - knowledge of community-driven approaches, such as grassroots community-building and outreach approaches as opposed to mass marketing
 - community-owned approaches such as community solar cooperatives
 - approaches that can scale - for example the creation of tools or platforms that can make it easier for community-based players in multiple geographies to do their work or training programs that provide sample tools, templates and documents to help mission-driven community solar developers.
- As a rough estimate, we believe that at least \$5 billion of GHGRF funds should be allocated towards the kinds of programs and investments described above, and potentially more.

- EPA should also consider using a portion of GHGRF dollars as a bonus to incentivize states and municipalities to adopt green building performance standards and community solar enabling legislation.
- Second, **it is critical that money flow down to low-income communities on terms they can use, without cost mark-ups from intermediation.** Some level of intermediation is necessary and even desirable for the most effective implementation of the GHGRF – that is, there may be a limited number of recipients who pass money to other organizations closer to the ground. However, intermediation comes with costs and risks: intermediaries will pass administrative and capital costs on down the line, and may fail to appreciate the kinds of financial and technical assistance that are needed to make impactful deals happen in LMI and DAC communities. EPA should allow and encourage intermediaries to take administrative costs “off the top” rather than passing them on to communities, while also ensuring these costs are reasonable.

At the end of the day, money needs to flow to communities on terms that help deals to pencil. EPA should make sure that applicants and subgrantees have a firm understanding of the “deal economics” for the types of projects and communities they are working with, grounded in track record and relationships in those communities. In our interviews and convenings, we frequently heard mission-driven clean energy project developers and building owners discuss a need for financing on longer terms and at lower cost than either green banks or CDFIs are currently able to provide. EPA should therefore expect applicants and subgrantees / indirect recipients to demonstrate how they are using GHGRF dollars to provide financing on sufficiently concessionary terms to make deals work.

- Third, **financial and technical assistance to generate community co-benefits should be an integral part of funding in LMI / DAC communities** – such as energy bill savings, job creation and workforce development, community empowerment and wealth-building, and increased resilience. The reality is that generating these impacts is not free and will require a substantial portion of GHGRF funding to be deployed as grants. Nonetheless, we believe that there is a moral imperative to do so - particularly given that the GHGRF is a key part of an overall legislative package that was framed as reducing energy costs and creating jobs.

3. *What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?*

- EPA should prioritize smaller, community-based projects. These projects are more likely to use local businesses and labor and to have a higher multiplier effect in the community. All of the programmatic examples we cited in question 2 are examples of the kinds of programs that generate business opportunities for local businesses – in fact, several of the programs (including the HEAT Squad and Elevate Energy, a member of the Relay Network) have provided low-cost working capital loans to small contractors as a core part of their business model.
- Loans and capacity-building investments in green businesses and organizations owned or led by members of low-income or disadvantaged communities should be considered a “qualified project” – supporting such organizations is a way to “assist communities in their efforts to reduce or avoid greenhouse gases.” An example of the kind of small business that should be supported is [EnerWealth Solutions](#), a minority-owned solar development company and a member of the trade association [Black Owners of Solar Services](#) (BOSS). Research has found stark disparities in access to capital for

minority-owned businesses – for example, a [Federal Reserve study](#) found that black entrepreneurs are denied loans nearly twice as often as white business owners. Perhaps more importantly, lack of access to equity (not just debt) makes it very difficult for minority-owned clean energy companies to grow, and in some cases forego projects or exit projects earlier than would be optimal. Capacity-building grants or low-cost equity investments in these companies would unlock their growth potential, and boost the pipeline of projects serving communities of color.

- For consistency among the various US federal agencies, EPA should adopt the US Treasury’s definition of a “Socially and Economically Disadvantaged” small business as set forth in the November 2021 Capital Program Policy Guidelines of the State Small Business Credit Initiative (SSBCI program).

Section 2: Program Design

- 1. *What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?***
 - **The most effective way to lever significant private sector investment – that also achieves social equity goals - is to invest in the organizational ecosystem that creates financeable projects in low-income communities.** As we discussed in Section 1, the principal problem right now is not the lack of private sector capital. It is the need for more deal flow (more projects to invest in). EPA should recognize that this kind of ecosystem investment might not deliver an immediately measurable “leverage” outcome in the same way that a lender cherry-picking a shovel-ready deal could deliver, where, for example, it might fund a million-dollar project with \$100k of GHGRF money and claim 10:1 leverage. However, we believe leverage of private sector investment will ultimately be much greater if EPA and applicants devote sufficient resources to longer-term, market-building investments.
 - EPA should also recognize that there is an inverse relationship between leverage and additionality. Very high levels of leverage can be achieved by placing money in an investment that didn’t need the money. On the other hand, and especially in low-income and disadvantaged communities, the most impactful deals may require GHGRF dollars to play a much larger role in the capital stack. This reality, however, does not in any way lessen the desirability of prioritizing these sorts of investments for GHGRF support.
 - We would like to point out that while the first definition of a “qualified project” in the law specifically references the leverage of private sector investment, the second definition does not. The second definition states that a qualified project is any activity that “assists communities in the efforts of those communities to reduce or avoid greenhouse gas emissions” – irrespective of whether that assistance leverages private capital or not. We believe this is a critically important provision in the law that was crafted very intentionally to support a broad range of ecosystem building investments, with an eye on the real prize: scaled GHG abatement, not leverage. Leverage is only a means to that ends and, per the law, is not the only means contemplated to achieve those ends.
 - Notwithstanding these comments, we appreciate the desire to achieve leverage in conventional financial terms, ceteris paribus. To achieve this, EPA should not overlook the enormous opportunity

presented by community-based, mission-driven depository institutions such as Community Development Credit Unions, Community Development Banks, Low-Income Credit Unions and Minority Depository Institutions. If GHGRF funds provide balance sheet equity to these institutions, they can lever it 10:1 with low-costs, insured deposits. The biggest impact investors in America are the members of low-income communities who invest their deposits with community development credit unions and banks – their investment reaches into the hundreds of billions of dollars.

- Many CDFI loan funds and green banks also have a proven track record of leveraging funding at the institutional level. The most sophisticated CDFI Loan Funds lever grant capital at a ratio of approximately 5:1 on their balance sheets (i.e. maintain a net assets ratio of at least 20%), drawing this capital from a range of (usually below-market) sources including CRA-motivated bank investors, Program-Related Investments from foundations, and debt from impact investors such as corporations and high-net-worth individuals. A dozen of the largest CDFI loan funds enjoy investment-grade ratings from Wall Street rating agencies and raise capital through rated bond offerings. Some of the larger green banks, especially public green banks such as the Connecticut Green Bank, have also successfully raised money through green bond offerings. Note that in the above two bullet points we've just talked about leverage at the entity level. Because these entities usually lever private capital at the project investment level, total levels of leverage can be much higher, 10:1 and even 20:1.
- Because of these abilities, we caution EPA to carefully examine any applications that promise to lever money at the "fund level" (e.g. at a national climate fund) and then distribute that borrowed money to individual lending institutions. Can the fund level financing provide capital at a lower cost and/or longer term than these institutions already have the demonstrated capacity to raise? What is their track record in doing so? Our concern is that an attempt to lever money at a "national green bank" level will actually be less effective than leveraging the money further downstream, in particular because any such entity would be newly created and lack the track record of the existing community development entities we described above, causing investors to demand higher returns and higher levels of collateral or credit enhancement. In its comments to EPA RFI, the Calvert Foundation has highlighted the importance of GHGRF capital being able to flow on a subordinated basis in order to leverage other funding. We concur.
- We believe that over time, the development of secondary market mechanisms to sell asset-backed securities backed by green loans holds the potential to open new sources of capital and eventually to allow for longer loan terms. However, the development of viable secondary markets depends not only on the credit enhancements provided to those markets (such as the implicit guarantee on mortgages provided by the GSEs), but also on a very robust flow of deals, which can only happen with investment in the ecosystem of organizations needed to create them.

2. *What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?*

- We believe that **the best way to ensure additionality is to direct substantially all the \$27 billion towards low-income and disadvantaged communities** – and within those communities, prioritize smaller projects with high levels of community co-benefits. These are the communities and project types where there is a demonstrated lack of access to capital, and where EPA can ensure additionality

without resorting to overly cumbersome project qualification or reporting requirements. Serving these communities may require using GHGRF dollars as grants, for interest-rate buydowns, and for capacity-building investments. We discuss our argument for this line of thinking in further detail in Section 3, Eligible Projects.

- Funding should not be provided to utility-scale renewable energy projects, which have demonstrated an ability to access private capital. We believe that support for community solar projects has additionality, but only to the extent they generate meaningful community co-benefits such as 20%+ bill savings for low-income customers, workforce development and job creation for low-income communities, community ownership of the installation or other profit-sharing mechanism, and/or enhanced resilience for community-serving facilities such as health care centers, child care centers or schools.
- Funding should not be provided to technologies that are not yet commercialized, such as small modular nuclear energy – GHGRF should not be viewed as an R&D program. The GHGRF should be considered in the full context of other available federal resources. The DOE Loan Programs Office (LPO) has significant undeployed funds that are specifically intended to help commercialize new technologies. That office should be the source of support for such projects.
- Funding should not be provided to other large-scale projects, such as many waste-to-energy projects, that have negative health effects on neighboring low-income communities or that “greenwash” operations which otherwise have a deleterious effect on the health of these communities.
- EPA should consider whether to establish a certain minimum level of energy upgrades or efficiency standards that must be met as a way of further ensuring additionality. While we defer to technical experts on the details of this issue, here are some examples:
 - EPA could disallow the use of GHGRF dollars to fund projects using oil- or gas-fired heating equipment. (Note that in the transportation sector, we do think that supporting purchases of hybrid cars is an additional strategy, and more likely to help with uptake in low-income communities).
 - EPA could disallow the use of program dollars for building retrofits that achieve energy savings of less than a certain percentage, say 25 percent.

3. *What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?*

- We strongly agree with comments from the Center for American Progress that the instruction in the GHGRF legislative language is *not* to maximize returns on investment, merely to ensure continued operability of the eligible recipient. Furthermore, the other aspirations that are clearly expressed in the legislation – to assist low-income and disadvantaged communities, to prioritize investment that is additional, and to achieve rapid and impactful deployment of funds – should take precedence over this goal.
- A substantial portion of GHGRF dollars should be deployed as grants or no- or low-cost loans, especially for market-building activities but also to the final projects financed. Doing so will *improve* the continued operability of recipients rather than damage it. Why? Because doing so will build the

pipeline of investable projects that recipients can then leverage other capital to invest in, in turn building their assets and earned revenues. Reiterating what we discussed in Section 1: GHGRF dollars are likely more impactful when used to build the market, rather than used to build balance sheets. As noted earlier, several community lenders in the space are experiencing deployment challenges, which creates financial risks that are concerning; it is therefore well worth the opportunity cost of using some GHGRF money as grants and low-cost loans, enabling lenders to deploy their other financial resources for a return.

- Note that the instructions in the legislative language around “continued operability” apply to the eligible recipient and not to individual projects or deployments of funds. We read the intent of this language as ensuring that the eligible recipient will be able to continue its operations and sustain itself. Sustaining operations and achieving mission impact is what the community development finance industry exists to do and for which it has an established track record. Recipients and subgrantees should be given the flexibility to make their own determinations about allocating grants to partners and projects in order to build pipeline and maximize impact, versus retaining capital to lever investment and drive earned revenues that way. EPA should simply ask applicants to demonstrate that they have a sustainable business model— if they do, the legislative goals around “continued operability” should be considered to be satisfied.
- A broader comment on the aspiration of “continued operability” for eligible recipients that is articulated in the legislation relates to financial sustainability. The Center for Impact Finance has conducted substantial research on the financial sustainability of mission-driven lenders that has included analyzing the financial statements of every certified CDFI reporting to the Treasury Department in the past 3 years and publicly available financial statements for a number of Green Banks. Four factors drive financial sustainability. The first is the yield on deployed loans – EPA is effectively focusing on this factor with the wording of this question (what is the return of principal and on principal). However, there are three other, equally important factors: the rate of loan losses; the cost of funds; and the cost of operations.

Far and away, the biggest factor negatively impacting the continued operability of mission-driven lenders is operating costs, which routinely reach double digits as a percentage of organizational assets. The problem is at its worst for smaller organizations; our research has found a direct relationship between asset size and self-sufficiency, driven by operating cost efficiencies. The implication for EPA is this: **instead of focusing on preservation of principal, the best way to ensure that climate lenders will be around for a long time is to support and encourage cost-efficient operations**. There are two strategies to do so:

- First, invest in shared operating infrastructure that makes it easier and cheaper for lenders to make climate loans. Inclusive Prosperity’s Smart-E home energy lending platform, which we describe in Section 4 Question 3, is an excellent example, although there are opportunities in every lending sector to create similar platforms. The Credit Union industry is ahead of other sectors in this regard, due to the widespread use of Credit Union Service Organizations (CUSOs) to perform commonly-shared technical tasks across many lenders. In short, what is needed is a set of “Clean Energy CUSOs” that help drive down underwriting, origination and servicing costs for all green lenders.
- Second, we believe it is unnecessary to create new lending entities. Rather, the key task is to transform the work of existing lenders. Start-up lenders invariably underestimate the impact of operating costs that often become an unexpected and crippling burden.

4. What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the “bankability” of financial structures that could then be replicated by private sector financial institutions?

- The community development finance industry operates according to a well-proven theory of change: mission-driven lenders can demonstrate the viability of projects that mainstream lenders currently consider too risky. Moreover, they provide an investment vehicle for mainstream lenders to place their capital, buffered by mission-driven, first-loss capital, so that they can participate in a new class of loans without exposing themselves to more risk than they can stomach. As these mission-driven lenders prove the market, private capital flows increase.
- An example is Self Help Ventures Fund, a CDFI Loan Fund. This loan fund provided \$75 million to finance the development of some of the first utility-scale solar projects in the state of North Carolina – taking on risks that mainstream banks would not take on. Loan performance was excellent and the industry got off to a strong start. Self Help no longer makes loans to utility-scale solar projects because its pioneering investments helped to set the table for mainstream capital providers to step in.
- While it may seem counter-intuitive, we think the greatest opportunity for GHGRF dollars to transform mainstream credit markets for decarbonization is in relatively small, community-based projects. As Community Preservation Corporation noted in its comment letter to EFAB, investing in a large-scale project like a coal plant retirement is a “one and done” deal. On the other hand, proving out the market for low-income rooftop solar leasing, or for heat pump installation in multifamily buildings, or for solar and storage for hospitals and health clinics, is something that can affect literally thousands of deals for years to come. By developing projects in close coordination with communities, we can be sure that these projects address the interests of, and have the trust of, these communities, which will increase uptake.
- Several mission-driven lenders have experience working with the capital markets to raise capital and/or create asset-backed vehicles for loan sales. These include many sophisticated CDFIs – a dozen CDFIs have investment grade ratings - as well as state authorities that issue tax-exempt bonds. EPA should afford these entities ample flexibility to structure GHGRF dollars in such a way that they can facilitate these kinds of transactions, such as using dollars as first-loss capital. However, utilizing capital markets vehicles also requires building a sufficient deal volume, which in turn requires investing GHGRF dollars in the kinds of demand generation and capacity-building activities described earlier.
- EPA should look to awardees to make loan and investment performance data publicly available, so that as portfolios of various types of GHG reduction finance grow, market investors and financial regulators have confidence in the performance of these investments.

5. Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

- One of the best ways that EPA could reduce burdens on grantees, subrecipients and borrowers is to provide user-friendly tools to estimate greenhouse gas reduction impacts of projects. Most community lenders and green banks should readily be able to report deal-level data on where they made loans or grants, to whom, at what amount and terms, and for what purposes. However, estimating GHG reduction impacts is much more complex – a balance needs to be struck between accurately measuring these impacts and not overburdening grantees and borrowers. To this end, EPA should at least provide clear guidance on how to measure or estimate such impacts. A better option would be to develop a tool whereby project inputs generate estimates of GHG reduction impacts acceptable to EPA. The tool should help to calculate impacts across different technologies, sectors, and regions. Concurrently, EPA should support technical assistance entities that can help advise on how to maximize GHG reductions in a project as well as to measure and report the reductions (as NYSERDA does in New York).
- Note that some of the most impactful qualified projects will not directly result in GHG emissions reductions. For example, a loan for working capital to a solar developer, or a training and technical assistance program to help solar developers, is not the same as investing money directly in a solar array, but is just as important. EPA should develop and accept other metrics besides GHG reductions to track the initial outputs and impacts of these activities.
- We recommend that EPA create clearly defined measures on what data must be collected and provide guidance on approved tools/methodologies to calculate attributes such as GHG reduction across different market types or number of jobs created. EPA should limit data collection to indicators that clearly measure key program aspirations (such as GHG reductions and benefits to LMI communities).

EPA should also determine how it will collect and track the data via an existing system or a new database. It would be helpful if EPA develops a toolkit which outlines: 1) Why should recipients collect data; 2) What data must be collected; 3) When to collect the data; 4) What are good collection and analysis methods; and 5) How much data to collect.

Finally, EPA should consult closely with practitioners in selecting indicators to track and designing its data collection program before finalizing anything.

6. What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

- In general, EPA should strive to maximize flexibility for applicants and their subgrantees – focusing reporting and compliance requirements on whether they are achieving metrics that reflect the core goals of the legislation. An example is the CDFI Fund FA program, which provides enterprise-level funding rather than project-level finance. Awardees have the flexibility to use funding as lending capital or loan loss reserves across various loan products, maximizing the range of approaches they can use to leverage grants. Awardees may also use awards to provide development services

(technical assistance) and up to 15 percent of awards for operating costs.

- EPA should be cautious with rules that would cause grantees to classify GHGRF grant income as donor-restricted capital on their balance sheet. Many funders have moved away from this practice. Nonprofit lenders find it harder to leverage permanently restricted capital with outside investments. In addition, investors do not see donor-restricted capital as funds that protect their investment from the risk of loss to the extent that unrestricted funds do.

7. What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

- At the broadest level, we strongly support the idea that GHGRF dollars should help to create quality jobs in low-income communities. As a practical matter, we emphasize that doing so is not free. To the extent it demands quality jobs outcomes, EPA should acknowledge that GHGRF moneys will need to be used as grants to fill any resulting project finance gaps, and to cover increased administrative costs for recipients and subgrantees. It would be completely unworkable to demand quality jobs outcomes and compliance with related labor regulations while also insisting that recipients recycle substantially all the GHGRF money for reuse.
- EPA should consider allowing prevailing wage waivers or clarifying exemptions when appropriate:
 - Smaller projects have less ability to bear high administrative costs and are often unable to access union shops that are paid prevailing wages. Waivers for these project types should be considered. For example, some federal programs, including the EPA Clean Water State Revolving Fund program, have waived Davis-Bacon requirements for single-family energy retrofit programs.
 - EPA should consider waivers for states with current prevailing wages equal to or greater than federal Davis-Bacon wages - allowing more money to be spent on projects than to document and verify that the requirements are being met.
 - EPA should clarify that non-construction uses such as capacity-building grants, TA provision, or training programs are not covered by statute
- EPA should ensure clear process: clarify all definitions, labor categories and jobs definitions and determine a process that EPA will use when positions are not federally covered labor categories.
- EPA should ensure that financing mechanisms. i.e. programs administering interest rate buy downs, loan loss reserves or guarantees should not be subject to federal government flow down requirements.

8. What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

- EPA should ensure support for communities of color and Tribal communities, given longstanding environmental and energy justice issues, as well as issues with access to capital. We discuss our recommendation that EPA direct substantially all GHGRF funding to low- and moderate-income and disadvantaged communities in detail in Section 3. The CDFI Fund tracks lending by its awardees to borrowers of color; EPA should do the same.

9. What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

Prior to developing program policies and guidance to comply with the requirements of the Build America, Buy America Act (BABA). EPA should consider reviewing the Buy American (pg.36) recommendations from the [U.S. Environmental Protection Agency & Major Partners' Lessons Learned From Implementing EPA's Portion Of The American Recovery And Reinvestment Act: Factors Affecting Implementation And Program Success.](#)

- Clearly defined guidance specific to the GHG Reduction Fund program: Establish guidance upfront on BABA and work to ensure consistency in interpretation between HQ staff, regional staff and audit teams. Prior to releasing funds, it is important to define what constitutes 'substantial transformation', waiver procedures and how recipients are to manage certification of letters of hundreds of products.
- Strain on resources and need for flexibility: The paperwork required by EPA to prove a product's conformance with BABA should not be a strain on recipient's resources and in the event of conflict with local state processes, EPA should consider adopting the state reporting requirements.
- Waivers: EPA should set a two-week requirement for reviewing BABA waiver requests and establish a tracking system on a project's products to help streamline the process. In the past even if one funding recipient received a waiver for one project's products, another funding recipient using that same product would still need to apply for a separate waiver. UNH recommends BABA waivers be granted for specific products and not be project-specific.
- Develop a pre-approved list of products: When complying with domestic content criteria UNH recommends the development of a publicly available website with a pre-approved list of products detailing the volume, availability, and composition of steel, iron and other commercially available manufactured products that comply.

- Identify financing mechanisms such as programs administering interest rate buy downs, loan loss reserves or guarantees that will not be subject to federal government flow down requirements.

10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or “Bipartisan Infrastructure Law,” could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

- The Greenhouse Gas Reduction Fund is by far the most flexible source of climate funding in the IRA and IIJA. We encourage EPA to honor the broadness with which Congress defined a “qualified project” to include anything that “assists communities in their efforts to reduce or avoid greenhouse gases and other forms of air pollution.” This flexibility will also make it one of the most impactful sources of climate funding – if program rules preserve it.
- Other IRA climate programs largely exist to fill needs in capital stacks – notably, the various renewable energy tax credits, as well as the two DOE rebate programs. GHGRF is unique in that it serves the dual purpose of funding critical needs *before* projects get to the point of building the capital stack as well as funding the capital stack itself. These “ecosystem-building” needs include capacity building and working capital for clean energy project developers and installers, funding for technical assistance providers, training, workforce development, shared infrastructure to reduce operating burdens for developers and lenders, and early-stage predevelopment financing. Many of these needs must be funded with grants rather than loans. Nevertheless, addressing these needs is the highest and best use of GHGRF dollars, because it helps unlock all the other IRA funding, along with private capital.

For example, IRA provides an unlimited amount of 30% solar Investment Tax Credit (ITC) dollars available to smaller-scale solar projects, such as community solar. GHGRF money devoted to building the low-income community solar ecosystem – for capacity-building grants to mission-driven community solar developers, to train solar developers and installers, to provide marketplaces and underwriting platforms that facilitate loans from community lenders to community solar projects, and to finance early-stage predevelopment costs – could jumpstart a virtuous cycle of growth in this industry that continues to be fed by the 30% ITC and by debt capital from community lenders.

A major weakness of both the IIJA and the IRA is the inadequate level of investment provided for workforce development. While the ITC will require developers of larger-scale projects to provide apprenticeship and workforce opportunities if they want to access the full credit, there is only [limited funding for workforce](#) programs per se in the IRA. Absent investment, workforce capacity will become a major constraint to clean energy project development in the very near future. EPA should therefore be sure to include workforce development programs that build the pool of installers and developers to be a qualified project that assists communities in their efforts to reduce greenhouse gases.

- The DOE Loan Programs Office is also a major recipient of funds in the IRA. The LPO is set up to support the commercialization of new technologies and has billions of dollars at its disposal to do so. For this reason, we do not think that EPA should use GHGRF dollars to support commercialization of new technologies, which would be an unnecessary duplication of a program that is already under-deployed.

11. Is guidance specific to Tribal and/or territorial governments necessary to implement the program? If so, what specific issues should such guidance address?

- One key aspect EPA should address is GHGRF’s applicability to Puerto Rico. Section 134 does not include a separate definitions section covering all defined terms. As noted, Section 134 is an amendment to the Clean Air Act. However, the Clean Air Act defines “State” to include the Commonwealth of Puerto Rico and other U.S. territories (42 U.S.C. § 7602(d)). Given the short timeframe during which funds will be available, it is imperative that the guidance make crystal clear that Puerto Rico is eligible to participate in the program, as it is considered a “State” under the Clean Air Act.
- Also with specific respect to Puerto Rico, we urge EPA to ensure that funding flows to nongovernmental organizations and cities, and not just to state government entities. There have been serious delays in the delivery of FEMA funding for rebuilding the electric grid in Puerto Rico, as well as in HUD CDBG Disaster Relief money flowing through Vivienda (the Department of Housing). A less centralized approach that takes advantage of the capacities of local governments and nonprofit organizations will be better able to reach the communities where help is most needed.
- Solar tax credits are hard to utilize in Puerto Rico, as most Puerto Ricans do not pay US income tax. However, it is still possible to monetize the solar ITC in Puerto Rico by utilizing rooftop solar leasing or power purchase agreement (PPA) programs – indeed, several private sector companies on the island, such as SunRun, are already doing so, as well as nonprofit, mission-driven solar developers such as Barrio Eléctrico. We would encourage both training and capacity-building support to be provided to on-island, mission-driven entities to assist them in implementing strategies to leverage tax credit dollars.
- We would also like to comment on the importance of ensuring that funds support Native American communities and community-based organizations in those communities. There are at least 69 certified [Native Community Development Financial Institutions](#) in 27 states across the country who provide a strong set of partners in this regard.

Section 3: Eligible Projects

(Note: We offer a combined response to the three questions in this section in one, integrated narrative).

- 1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions? Please describe how prioritizing such projects would:**
 - a. Maximize greenhouse gas emission and air pollution reduction**
 - b. Deliver benefits to low-income and disadvantaged communities**
 - c. Enable investment in projects that would otherwise lack access to capital or financing**
 - d. Recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and**
 - e. Facilitate increased private sector investment**
- 2. Please describe what forms of financial assistance (e.g. subgrants, loans, or other forms) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects**
- 3. Beyond financial assistance for project financing what other supports – such as technical assistance – are necessary to accelerate deployment of such projects?**

The above questions are best answered sector-by-sector. In low-income communities, we have identified 6 sectors with high potential for GHG abatement that would also generate significant co-benefits for those communities, such as energy bill savings, job creation, community empowerment and wealth building, and increased resilience. Those 6 sectors are as follows:

- Affordable multifamily housing
- Single family housing
- Commercial real estate and community facilities
- Small business
- Community solar and low-income rooftop solar leasing
- Transportation

In partnership with the Natural Resources Defense Council, University of New Hampshire held a series of 12 workshops with over 150 practitioners in November 2022 to develop and refine an “equitable strategy map” for the decarbonization of each of these sectors in low-income communities, including:

- A discussion of the size of the opportunity, including a review of how existing community development activity in the sector creates opportunities for GHG abatement
- A discussion of opportunities to advance social equity goals and create community co-benefits in each space
- An overview of the stakeholders in each space who should be supported to scale GHG abatement in the space
- A review of deal economics and both financial and non-financial barriers to scale
- Recommendations for the impactful deployment of GHGRF dollars

We are providing [this link](#) to the “equitable strategy map” documents drafted so far. In short: **we believe that the highest and best use of Greenhouse Gas Reduction Funds is to decarbonize community development**

activity in low-income communities, alongside supporting efforts to provide clean energy in these communities. Why?

- **LMI and DAC communities are sure-fire opportunities for additionality.**

These communities are the ones who struggle to access capital, due to decades of redlining, currently perceived investment risk, and lack of wealth. For example, Urban Institute [research](#) has shown that white and low-poverty neighborhoods in many major cities like Chicago and Baltimore receive four to five times the capital flows per household compared to neighborhoods of color and high-poverty neighborhoods. Lack of access to capital is even more severe for [rural areas of persistent poverty](#). The capital access problem is compounded for many projects serving these communities due to their relatively small size, which is unappealing to investors. These conditions mean that EPA can be confident that deals supported with GHGRF dollars in these communities are almost certainly deals that would not happen without this support. There is also plenty of carbon to abate in these communities. They are where people:

- [drive older cars](#),
 - [live in drafty homes](#), with homes that use [21 percent more energy per square foot](#) than a typical home,
 - own older and [less efficient appliances](#) and are more likely to use expensive electric resistance heating,
 - [have benefitted less from existing energy efficiency programs](#),
 - [lack access to solar power](#) and
 - attend [schools that have deferred maintenance](#).
 - Even though individual projects may be small, they together constitute an enormous GHG abatement opportunity.
- **Existing organizations, relationships and activity can be leveraged to generate scaled, rapid and deep impacts.** The hardest part of any GHG reduction strategy is finding the customers. However, there is an enormous flow of projects and programs already being delivered to various sectors in low-income communities - affordable housing, small business lending, home and consumer lending, workforce development, health services, and education - where “greening” these activities can deliver significant GHG benefits. Furthermore, these communities present a huge customer base that is already in a trusting relationship with a mission-driven organization. Listed below are some examples of specific organizations and networks of organizations that already serve these communities, and that stand ready to deploy GHGRF dollars in impactful and scaled ways:

Affordable rental housing:

- According to a [report](#) by ACEEE, there are 12.5 million low- to moderate-income households living in multifamily buildings eligible for decarbonization upgrades. Deep retrofits of these buildings are estimated to result in a reduction of 38 million metric tons in CO2 equivalent emissions – a 41% reduction from the current estimated emissions from the multifamily housing sector.
- Just a few networks of affordable housing organizations – such as Housing Partnership Network (HPN), NeighborWorks America, Local Initiatives Support Corporation (LISC), and Enterprise – serve around a million affordable housing units across the country. For example, the organizations in the NeighborWorks network own or manage 200,000 units of affordable

housing, with 75,000 more units currently in pipeline for development. The organizations in the Housing Partnership Network own over 340,000 units, with a 60% increase projected over the next 10 years. LISC has financed 400,000 units; Enterprise either owns or has helped to finance nearly 250,000 units. These portfolios represent an enormous opportunity for solar energy and decarbonization retrofits as they come up for refinancing, or even for mid-cycle improvements.

Community solar:

- There is already 270 MW of community solar capacity that is dedicated to serving low-income subscribers. The Department of Energy National Community Solar Partnership has a goal of serving 5 million new customers by 2025, with an average energy bill savings of 20%. Because of the structure of the new solar Investment Tax Credit, its 20-point adder for projects serving low-income housing, and the potential to layer the ITC with the Low Income Housing Tax Credit, the affordable housing development networks described above could be key players in building out projects to meet DOE's goal. For example, Enterprise Community Partners provided a \$2.45 million loan to the Denver Housing Authority for a 10-acre [solar garden](#) helping 500 affordable housing units save 20% on energy costs. Enterprise, which also develops and owns affordable housing itself, is currently working to solarize its entire 115-building portfolio with more than 10,000 units.

Helping low-income homeowners:

- In 2021, the 250 member organizations in the NeighborWorks network provided housing counseling to 470,700 clients, created 22,000 new homeowners, and helped 79,100 homeowners repair their homes. Again, every homeowner served represents an opportunity to help that homeowner identify energy-saving measures for their home or evaluate whether going solar is an option. Some NeighborWorks organizations, like NeighborWorks of Western Vermont, have already transformed their home rehab business lines into a "green and healthy homes" program. That organization used ARRA-era Energy Efficiency Conservation Block Grant funding to launch its program in 2010, and has since helped over 2,000 homeowners to save an average of \$1,000 per year in energy costs. Dozens more organizations could do the same with support from the GHGRF.

Community facilities:

- Capital Link, a CDFI, serves 1,400 Federally Qualified Health Centers (FQHC's) across the country. These health centers serve low-income communities at 14,000 sites; about 9,000 of these own their own roof. Capital Link has recently partnered with Collective Energy to provide clinics with solar and storage. To date, 15 sites have been completed with 27 more sites in progress – saving some clinics more than \$40,000 a year in energy costs. Capital Link is currently assembling a \$100 million fund to serve FQHCs in 8 states in its first phase of work. If all 9,000 health clinics with owned rooftops went solar, the total deployment potential is \$3.6 billion at an average of \$400,000 per project, and the total carbon abatement would be over 20 million tons across the lifespan of the projects.

Helping small businesses:

- CDFIs made over \$4.2 billion dollars of small business and micro-enterprise loans in 2019 – even more during the pandemic year of 2020, when community lenders helped to deploy \$10 billion of PPP loans. Every time a business receives a loan, it is an opportunity to review whether they could use more energy efficient equipment, an EV or efficient vehicle, or rooftop solar to improve their business cash flow. For example, [Mountain Association](#), a CDFI based in Eastern Kentucky, helps small businesses to implement energy retrofits and solar projects, saving one grocery store client \$47,000 per year in operating costs.
- Furthermore, business growth of clean energy developers, contractors and installers will be needed for GHGRF implementation in LMI and rural communities. CDFIs and other mission lenders are poised to provide the necessary technical assistance and financing for business startup and expansion.

Consumer auto loans:

- According to the National Credit Union Administration, credit unions hold [\\$447.6 billion worth of auto loans](#) on their balance sheet. The nearly 500 members of the Inclusiv Community Development Credit Union network, who serve nearly 18 million customers in predominantly low-income communities and communities of color, hold 4.5 million of these loans worth \$64.7 billion. Credit Unions can build on these trusted borrowing relationships to help their customers find a car that will help their pocketbook and reduce carbon emissions. Examples of community lenders already funding EV loans for low-income families include Clean Energy Credit Union, VSECU credit union in Vermont, and On the Road Lending, a CDFI.
 - Some of the priority technologies that we believe EPA should encourage include EVs, solar and storage, and building decarbonization retrofits (electrification + efficiency and weatherization). We recommend that EPA not fund projects that do not need additional subsidies, as well as noncommercial projects that would be priorities of the DOE Loans Program Office. We are also skeptical of the value of financing large-scale “one and done” projects through this program. We would therefore recommend that EPA discourage using GHGRF dollars to support utility-scale renewables, carbon capture & storage, nuclear, projects for high-income consumers or large corporates, or coal plant decommissioning.
- **LMI and DAC communities cannot afford to be left behind.**
 - There are 26 million low-income households in the US who burn fossil fuels as the primary way of heating their house, according to the US Department of Energy’s [Low-Income Energy Affordability Data](#). On average, they are paying over 9.4 percent of their household budget on energy costs. Middle- and high-income households, meanwhile, are paying only 2.3% of their income on energy costs.
 - Over one-quarter of low-income households reported reducing or [foregoing basic expenses](#) like food or medicine to pay their energy bills. Moreover, energy costs have an outsized impact on low-income first-time homebuyers, according to a [Fannie Mae](#) study. A [study](#) by Lawrence Berkeley Labs found that a \$100 decrease in energy bills was associated with a 2.3%

decrease in the odds of mortgage loans becoming delinquent.

- Low-income communities are disproportionately affected by air pollution from local sources such as [diesel freight traffic](#).
- As climate policies and market forces continue to drive clean energy adoption, wealthier households will tend to electrify their homes earlier. As they do, the costs of the natural gas system will be paid for by fewer and fewer customers. Unless climate policies directly invest in electrification of low- and moderate-income households early on, people on the lower end of the income spectrum will be [left picking up the tab](#) for our legacy natural gas infrastructure. [Research](#) has found that most operational costs of utilities do not decrease despite a shrinking customer base. So those customers left behind—many already struggling to make ends meet—bear a higher cost: For a 15% reduction in residential gas customers, the researchers calculate bill increases of roughly \$30 per year for remaining customers, but for a 90% reduction in customers, bill increases are calculated to be around \$1,500 per year.
- Addressing efficiency and renewable energy in LI communities can have major benefits for community residents. For example:
 - Energy retrofits can have important [health and safety benefits](#), including reductions in chronic illnesses and respiratory health conditions as well as improved general health. Home electrification has particularly large benefits in this regard, since gas stoves are linked to [asthma attacks](#) in children and older adults, and fossil-fuel-burning furnances have [NOx emissions](#) that can be more than the pollution from gas-fired power plants.
 - Investing in energy [efficiency can reduce cost burdens](#) for low-income households by an average of 25 percent. Deeper retrofits can deliver substantial energy savings to low-income consumers. [ACEEE](#) finds that deep retrofits can cut a home's energy use by 58% to 79% while reducing emissions by 32% to 56%. Other studies estimate that home electrification can save households an average of [\\$1,800 per year](#) in energy costs.
- Low-income communities can derive major benefits by playing a role in *supplying* clean energy and efficiency to their own communities:
 - Energy retrofits such as home electrification, for example, will create [millions of jobs](#), most of which are necessarily local. Moreover, clean energy jobs [paid 25% more](#) than the national median wage in 2019 and were more likely to include health care and retirement benefits. These jobs will also include many jobs in [rural areas](#).
 - Small business growth could be fueled by supporting local businesses that install energy retrofits or solar arrays in low-income communities
 - Community ownership models, e.g. community solar cooperatives, could help [communities build wealth](#) through clean energy, rather than having returns extracted by outside investors
 - Local small-scale projects have been praised for the positive impacts they can have on the local communities like income generation effects, in-migration, education, productive diversification, social cohesion, human development, industry creation

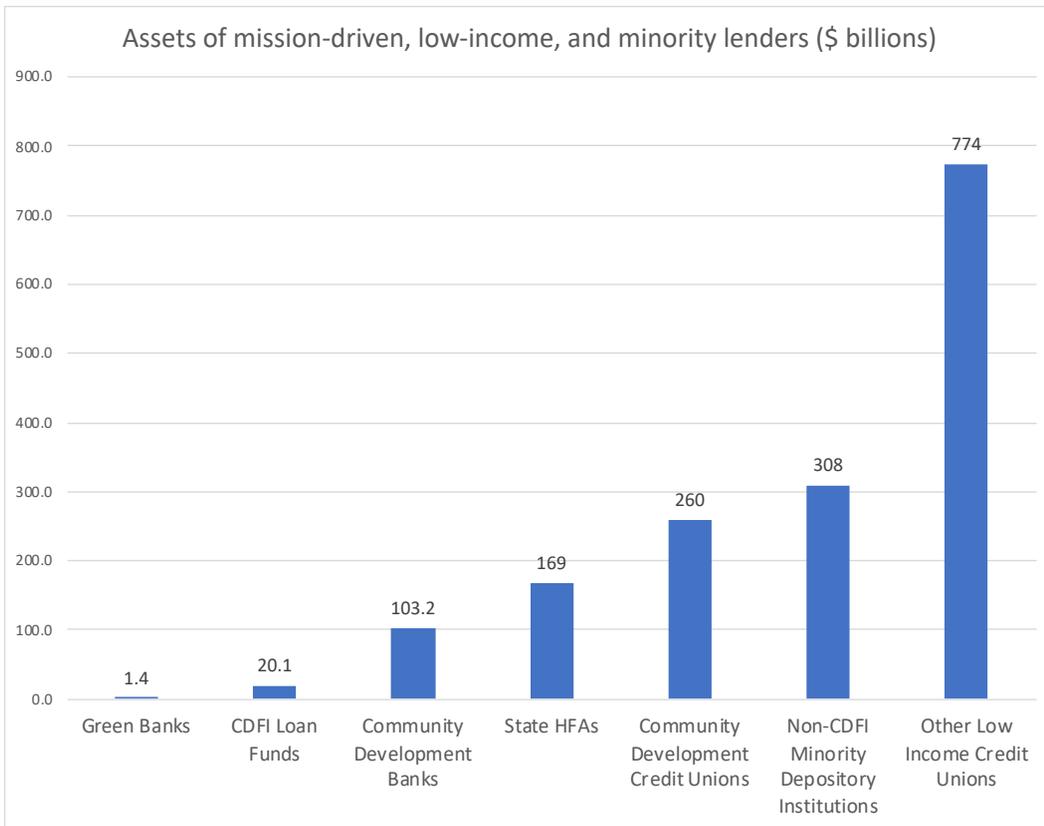
and income distribution, among others (Hong & Abe, [2012](#); Jaramillo-Nieves & del Río, [2010](#); van der Waal, [2020](#)).

- **A broad palette of technical assistance, ecosystem supports, and financing assistance is needed to drive these projects and deliver GHG reductions in LMI communities.** The reality is that serving these communities will require a substantial portion of GHGRF dollars to flow to communities not just as loans, but as grants. However, as we've argued earlier, we do not think that this reality presents a threat to the continued operability of the hundreds of community development organizations that already know how to blend grants and earned revenues as a core part of their financial sustainability strategy. A lot of funding will be able to flow as financing – and EPA should allow recipients and indirect recipients a broad degree of flexibility to design and deploy different financing tools, as long as they can demonstrate that the financing is part of a cogent strategy to reduce greenhouse gases, that it benefits and is offered on fair terms to low-income and disadvantaged communities, and that it is additional to (more concessionary than) a purely market transaction. Some commonly used financing tools include acquisition, predevelopment, construction and permanent debt; bridge loans to cover rebates or tax credit amounts still to be received; working capital investments; equity investments; credit enhancements such as guarantees or loan loss reserves; or secondary market purchases of loan assets.

Section 4: Eligible Recipients

1. ***Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.***
 - Because we believe that substantially all GHGRF funding should be deployed to low-income and disadvantaged communities, we offer a combined response to questions 1 and 2 of this section.
2. ***What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?***
 - We recommend that EPA use existing organizational infrastructure to achieve these goals. A substantial network of eligible entities and indirect recipients already exists that serves low-income and disadvantaged communities, with over \$1.5 trillion in total assets. These organizations include CDFI Loan Funds, Community Development Credit Unions, Community Development Banks, State Housing Finance Agencies, and non-mission-driven depository institutions that nonetheless focus their businesses on low-income and disadvantaged communities, including Minority Depository Institutions and Low-Income Credit Unions. The chart below depicts the magnitude of assets collectively managed by these various entities. The pool of resources available to serve these communities is even larger if one considers CRA-motivated investments by both community-scale and large banks, as well as investments by state economic development and infrastructure authorities. The GHGRF should be focused on

mobilizing these assets to combat climate change in low-income and disadvantaged communities.



Sources:

1. *2021 American Green Bank Consortium Annual Report*
2. *CDFI Fund analysis of 2020 Annual Compliance report data*
3. *National Community Development Bankers' Association*
4. *Fitch Ratings; 2021 NCSHA State HFA Fact Book*
5. *Inclusiv.org*
6. *National Community Development Bankers' Association*
7. *Analysis of NCUA data on federally insured credit unions*

- Beyond asset size, the number of entities and extent of their community relationships should not be underestimated. For example, there are 500 Community Development Credit Unions serving 18 million members across the US – over 5 percent of the population. Including the other 2,100 Low-Income Credit Unions, the total membership grows to 68.8 million members, or 21 percent of the US. There are 570 nonprofit loan funds, 109 community development banks, and over 650 minority depository institutions. Within this pool of organizations, over 1,300 entities are certified as Community Development Financial Institutions, which means that they have an explicit mission to serve low-income communities, are reviewed by the Treasury Department to ensure that their loans and services are provided on fair terms, and have governing boards that are accountable to these communities.
- Data on green lending volume is spotty for each one of these categories, because lenders organize their data systems around required reporting from the US Department of Treasury (which oversees CDFIs) and regulators – none of whom presently requires reporting climate finance activity, a

shortcoming we think must be addressed in the future. However, the total volume of climate finance lending combined across all these sectors is likely well over \$1 billion per year – driven by a few very large green lenders, but with many organizations engaged in the space:

- Opportunity Finance Network (OFN), a CDFI trade association principally of loan funds, surveyed 232 members in 2019 and identified a clean energy lending volume of \$444 million for the year. Because this survey only captured a portion of the loan fund sector, because some loan funds make green loans without tracking their green characteristics, and because some non-clean-energy loans can also have GHG reduction impacts, this figure is almost certainly an undercount of total climate mitigation finance activity. It nevertheless is equal to the national activity of Green Banks reported in the American Green Bank Consortium’s annual report.
 - A few large banks and credit unions have very large volumes of green lending, including some mission-driven institutions such as Beneficial State Bank and Amalgamated Bank, as well as other community lenders such as Technology Credit Union (Tech CU) and Live Oak Bank. Tech CU alone had an average solar loan volume of over \$700 million during the last five years.
 - Inclusiv, a trade association of CDCUs, has identified 99 CDCUs making green loans. It has data on loan volume for only 19 of these, but the average annual green lending volume for this small slice of the field over the past two years is over \$90 million.
- There is a general perception that “CDFIs know how to do low-income lending, but don’t understand green lending.” Admittedly, there are many community lenders who do not currently offer specialized green lending products. Transforming the marketplace so that they do so - mobilizing \$1.5 trillion in capital that already bends towards social justice to make it also serve climate and energy justice – should be a central goal of GHGRF implementation. Learning green lending is possible to do, and in fact is not very different from the difficult underwriting work that these lenders already do every day; moreover, building the kinds of relationships these organizations have in low-income communities is much harder to replicate.

Furthermore, many mission-driven and low-income-focused lenders already do very significant climate lending, and have capabilities that are easily as advanced as the most sophisticated green banks. A few of them, in fact, even lend to green banks, such as Amalgamated Bank. Below we have highlighted the work of a few leaders in the climate-lending space among mission-driven lenders, both big and small. Based on our experience offering training courses in solar lending, we know that other leading CDFIs, CDCUs and similar lenders can also make the leap to originating green loans.

Community Development Credit Unions:

- In Puerto Rico, credit unions (“Cooperativas de Ahorro y Crédito”) have [quadrupled their solar lending](#) volume in the past three years, making \$36.1 million in loans in 2021, up from \$8.3 million in 2019. One example is Cooperativa Jesus Obrero, which began rooftop solar and storage loans in 2013 and built a solar installation for its own office. Cooperativa Jesus Obrero has financed more than 500 PV solar systems, and its renewable energy financing makes up 10% of its total loan portfolio.
- [Clean Energy Credit Union](#) provides a mix of loan products for residential solar, home energy efficiency, heat pumps, and EVs nationwide. In its first five years of operations, Clean Energy Credit Union has funded \$110.9 million in clean energy loans to 6,929 households.

CDFI Loan Funds:

- [Community Preservation Corporation \(CPC\)](#), based in New York, has financed nearly 9,000 units of energy efficient, sustainable housing through loans to both small landlords and large multifamily property owners. CPC has published two guides that focus on sustainability, underwriting, and incorporating energy efficiency/performance into first mortgage financing: [Financing High-Performance](#) and [Underwriting Efficiency](#), and has created a software tool, [CPC VeriFi](#), to help building owners calculate potential water and energy savings. It administers the newly created [Climate Friendly Homes program](#), which will leverage \$250 million in New York State funding to finance electrification retrofits in at least 10,000 units of multifamily housing that serve economically disadvantaged communities.
- Low-Income Investment Fund (LIIF), a national CDFI, has lent \$810 million and provided an additional \$10 million in grants to “green” nearly 20 million square feet of real estate serving low-income communities (such as affordable housing and community facilities in low-income communities), with an estimated GHG reduction of over 3 million tons.
- [Coastal Enterprises](#), in Maine, has deployed \$25 million for over 40 solar projects, leveraging an additional \$46 million; it has also lent over \$5 million for energy efficiency.

Community Development Banks:

- [National Cooperative Bank](#) has financed over 500 megawatts of solar projects, including for sophisticated tax credit ownership structures. As of November 1, 2022, NCB has originated 24 loans to renewable energy projects for \$143.9 million this year.
 - [Beneficial State Bank](#) has made a cumulative \$144 million in loans to the renewable energy sector, per its 2021 impact report. Its green lending activities also include a special program to help low-income families in California [purchase EVs](#), and a partnership with Acción Opportunity Fund, a CDFI loan fund, to make loans to independent long-haul [truckers](#) for purchase of reduced-emissions filters.
- We have spent the first part of this response spotlighting the enormous network of lenders that has been inexplicably overlooked in some of the conversations about the GHGRF, which tend to focus on Green Banks. We DO agree, however, that Green Banks have very important roles to play and offer additional comments here on their potential.
 - First, we would like to address a common misperception that “Green Banks know how to do green lending, but don’t know how to do low-income lending.” This characterization is not entirely fair, or at least is not the case for all green banks. Some Green Banks, such as SELF in Florida and Growth Opportunities in Ohio, are also CDFIs, and several other Green Banks, such as NYCEEC and Inclusive Prosperity Capital, could likely qualify as one. While some Green Banks have struggled to serve low-income communities, increasingly they are searching for solutions and reaching out to low-income-focused lenders to build new partnerships (the Center for Impact Finance is in the process of helping one green bank to do exactly this).
 - Second, some of the best efforts to provide green lending in low-income communities have involved partnerships between green banks, CDFIs, and Community Development Credit Unions. While such partnerships are not a requirement in every instance or for every deal, they should be encouraged. Examples of strong partnerships include the Connecticut Green Bank’s work with Capital for Change (a CDFI) and Nutmeg FCU (a CDCU), and partnerships

between City First Enterprises with the DC Green Bank and the Montgomery County Green Bank. These partnerships take various forms including Green Banks providing credit enhancements to CDFIs, and CDFIs providing loan origination and loan servicing to Green Banks. An especially powerful role for green banks would be to build lending platforms that facilitate the work of other lenders, as IPC is doing with the Smart-E single-family platform and now the Catalyst multi-family platform. We discuss these examples further in question 3 below.

3. *What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?*

- Community development lenders already have lending capacity in most communities across the US. There is not a state in the union that does not already have multiple CDFIs, Community Development Credit Unions, Community Development Banks, a State HFA, and other community lenders serving it. The issue is twofold:
 - 1) How to [build the ecosystem](#) of project developers, TA providers, and workforce programs so that these institutions have a pipeline of deals to fund. We discussed the importance of investing in this broader ecosystem in Section 1, Question 2, about technical assistance in low-income communities.
 - 2) How to help lenders in the cases where they do not already finance greenhouse gas reduction projects. The answer: create facilitating infrastructure that makes it easier for lenders to deploy to these projects.
- The Smart-E program is an excellent example of this kind of facilitating infrastructure. Three green banks including Michigan Saves, the Colorado Clean Energy Fund, and the Connecticut Green Bank, developed programming that utilizes community-based lenders as the retail loan originator for residential home energy retrofits and rooftop solar loans. The Smart-E platform supports lenders with contractor recruiting and vetting; technical review of energy retrofit job proposals for homes; quality control; a technology platform facilitating communication and common tasks between the lender and the contractor; and a credit enhancement to support loans to lower-credit borrowers. Across all three states, the program has 17 active community lenders – including CDFIs such as Capital for Change and CDCUs such as Nutmeg State FCU – and has delivered over \$500 million in home energy retrofit loans to over 40,000 households, of which 45% are low-income. Inclusive Prosperity Capital, a boundaryless green bank that is itself a spinoff from the Connecticut Green Bank, is now working with Inclusiv, the national network of Community Development Credit Unions, to expand this platform to additional states including Arizona, Texas, and New Mexico, and has interest from partners in an additional 20 states. Inclusive Prosperity Capital is now working on building a similar platform, called Catalyst, that would help CDFIs, State Housing Finance Agencies, and other mission lenders to finance energy improvements in affordable multifamily housing.

4. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

- Fundamentally, given the vast networks of mission-driven community lenders already in place throughout the country, we do not believe that new lending entities are needed to implement the Greenhouse Gas Reduction Fund. What is needed is the transformation of existing mission-driven and community-based lenders into a green lending force. Our core recommendation is that EPA seek to utilize existing organizational infrastructure to meet program goals.
- Capacity-building investment is desperately required in the broader organizational ecosystem needed to conceive of, plan and develop clean energy projects in low-income communities. We have discussed the kinds of capacity-building grants to project developers, support for technical assistance providers, workforce programs, and training investments that are needed in Section 1, Question 2. Here again, existing organizational infrastructure can be put to use. For example, there are nearly 5,000 Community Development Corporations serving low-income communities with affordable housing and other community development programs. Many of these entities already have real estate development capacity, and it is not hard to imagine that they could develop low-income community solar or solar and storage projects.
- As discussed in Section 1 Question 2, new organizational infrastructure is needed to create new “accelerators” that help building owners, solar project developers, contractors, installers and lenders to do their work more efficiently. These hubs should offer free engineering/design assistance, work scoping, hand holding, evaluation of financing options, integration of available grants/incentives, training, and other process supports that make it easier to develop and lend to clean energy and building decarbonization projects. In some regions, there are existing organizations that already play at least some of these roles, such as the organizations in the [Relay Network](#) that provide technical assistance to building owners, or [NYSERDA](#) in New York. In these regions, these organizations should form the basis for or at least a key part of the accelerator; they might also advise on or partner in the creation of accelerators in other regions in order to avoid creating this infrastructure from scratch. There are also national-level, sector-specific capacities that should be tapped to support accelerator infrastructure, including university training programs (such as [University of New Hampshire’s](#) solar development and lending trainings), national community development intermediaries (such as Enterprise Community Partners’ [Green Communities](#) program), existing government programs (such as the Department of Energy’s [National Community Solar Partnership](#)), trade associations, and support mechanisms for community-based organizations (such as the [Justice40 Accelerator](#)).

5. What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

- As discussed in question 3 of this section, we think that one of the most important ways to maximize investment in “green” projects by lenders is to provide operating platforms that make it easier for them to deploy capital to such projects. EPA should expect lenders to already know how to manage a financial institution, build relationships with borrowers, and underwrite a loan. However, lenders will need partnerships with providers who can, for example, evaluate the technical aspects of a solar project proposal, provide technical assistance to building owners for

zero-net-energy retrofits, and conduct quality control on home energy retrofits, eliminating the burden on lenders to build that capacity themselves. While flexibility in lending is often desirable to address unique community needs, lenders will benefit from platforms that provide them at least the option of deploying a standardized financial product, with some standardized policies or documentation, and concomitantly some access to secondary market vehicles.

- We would also highlight the importance of providing training courses for lenders in financing greenhouse gas reduction projects. An example is University of New Hampshire’s solar finance training series, which offers courses in both consumer and commercial solar lending. Additional training topics could include lending for electric vehicles, home energy efficiency projects, and multifamily decarbonization.

Section 5: Oversight and Reporting

1. *What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?*

- EPA should require recipients – particularly those playing an intermediation roles - to have broad and inclusive governance structure that includes both strong representation from Environmental Justice communities and from all of the various types of financing entities – not just Green Banks but CDFIs, Community Development Credit Unions, Community Development Banks, Minority Depository Institutions, State Housing Finance Agencies, etc. – that would be indirect recipients, as appropriate to the goals and methods of the applicant. Furthermore, other key ecosystem players, such as technical assistance providers and clean energy project developers, should be included in the governance or advisory structures as well; their input is critical to ensuring that effective strategies are put into place. Indirect recipients and subgrantees should also be required to have inclusive governance structures. In its recently updated certification requirements, the CDFI Fund provides specific guidance on what does and does not constitute a governance structure that is accountable to communities. We encourage EPA to adopt these requirements as they are finalized by the Treasury Department.

2. *Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering federal grant funds) that EPA should consider when designing the program?*

- In general, we believe that EPA should attempt to provide a broad and flexible framework for recipients, where the main goals of achieving GHG reductions and benefitting low-income communities are clear, but grantees are given leeway to experiment with different approaches to learn the best ways of meeting these goals. Excessive compliance requirements will simply create roadblocks to deployment and impact. The best strategy to avoid problems with waste, fraud or abuse is to focus on working with mission-driven organizations who are already accountable to low-income communities and have a clear track record of impact.

- EPA should consider providing advances to awardees rather than reimbursements, given the scale of the program and the potential for significant cash flow constraints otherwise.

3. *What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?*

- EPA should provide recipients and subgrantees with guidance on how to estimate GHG reductions. Ideally, EPA should provide some kind of standardized, user-friendly tool, platform or service that recipients can use to estimate impacts, whether hosted at EPA or by a trusted third party.
- On allocation of benefits to low-income and disadvantaged communities- apart from tracking whether the project is in an eligible census tract or serves low-income end users, meaningful benefits generated for these communities should be tracked. These include:
 - Quality jobs created (this definition should be refined but should count jobs with health benefits at a living wage)
 - Energy bill savings for low-income households and/or community-based organizations
 - Number of low-income households served
 - Project profits re-distributed to community residents or community-based organizations
 - Number of Socially or Economically Disadvantaged Individual (SEDI) businesses financed or created (as defined by SSBCI guidance)
 - Change in revenue generated by small businesses
 - Recipients should have flexibility to report those metrics that are relevant to their projects
- On additionality: projects that deliver meaningful benefits to low-income and disadvantaged communities, and in particular projects developed either by or for community-based organizations, should be deemed “additional” without further reporting requirements. These kinds of projects have suffered from a lack of access to mainstream capital that is well documented, as we discussed earlier.
- On leverage: the metric used by the CDFI Fund is total project development costs divided by program funds invested (GHGRF dollars in this case). This is a workable metric. However, EPA should take the long view of what leverage means. As mentioned earlier, investments in capacity-building, training, technical assistance, and workforce development may ultimately lead to much greater leverage of new investment than could be achieved by lenders waiting for deals to come along into which they can plug some GHGRF dollars. For example, a lender might apply to use GHGRF funding for a 5% loss reserve for home energy retrofit loans. They can immediately claim 20:1 leverage. However, demand-side constraints might result in them only funding a handful of deals. They might have been better off using the money to invest in a grassroots outreach campaign or a free energy audit program to drive demand. Those uses of the money would initially show zero leverage, but could ultimately lead to far greater investment. EPA should encourage recipients to invest in market-building and ecosystem-building activities, and allow them a reasonable amount of funding to track whether and how these activities are supporting investable projects down the line.
- Most of the metrics we cite above are defined and described in the Global Impact Investment Network’s [IRIS metrics](#).

4. What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund’s Target Market Accountability criteria), rules, etc., should EPA consider?

- We recommend that EPA define what it means for a project to be “in” a low-income and disadvantaged community. Recipients and subgrantees should be required to document some meaningful level of community benefit from and involvement in investments that are counted as serving these communities. For instance, a utility-scale solar farm that happens to be sited in a low-income census tract should not count. Meaningful community benefits could include job creation or workforce development benefits for low-income residents, project ownership by community residents or a community-based organization, meaningful energy cost savings for community residents, other wealth-building benefits for community residents, or climate resilience benefits for community residents.
- In addition to requiring recipients to have a broad and inclusive governance structure, as described earlier, we also recommend that EPA implement other measures such as:
 - Encouraging recipients and subgrantees to engage in participatory community planning processes (for example by making some funding available specifically for that purpose)
 - Establishing a mechanism by which low-income and disadvantaged communities can raise issues with EPA regarding any unfair treatment by GHGRF recipients, perhaps for mediation by EPA OEJECR.
 - Allocating a certain percentage of funds that would be available only for projects owned by Community-Based Organizations (CBOs as per the HUD definition) or for community-owned projects.

Section 6: General Comments

1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

- For all three pots of money in the Greenhouse Gas Reduction Fund, we urge EPA to fund multiple recipients, for the following reasons:
 - We do not think that a single, mission-driven entity exists that has the capability of administering chunks of more than a few billion dollars of this money. Even in that case, there will be a substantial time lag for recipients to build out their administrative infrastructure. Complicated partnership arrangements will need to be built whereby different entities provide different capacities for administration (e.g. one entity might be needed for the treasury function, another for federal grant reporting administration, another for underwriting indirect recipients and subgrantees, still another for administering capacity-building programming, etc).
 - We are concerned about both political and financial risks to EPA if a single funded entity were to experience administrative difficulties – particularly since the more money is

allocated to a single entity, the more likely those administrative difficulties will be.

- We are concerned about the concentration of power in a single entity, particularly if it does not have the highest standards of accountability to low-income communities in place, or a deep level of partnership with multiple players in the climate justice finance ecosystem. We are especially concerned about the ability of low-income communities to work with and influence the actions of an entity whose attentions might be focused on the administration of a balance sheet that could be very large even by bank standards.
- If EPA does fund a “National Climate Bank” or national climate fund, it should ensure that a truly fair, open and competitive process is implemented, providing plenty of time for organizations to come together and build their strategy after the announcement of the availability of funds and before proposals are due. If EPA has a competition to select an awardee for a National Climate Fund, we recommend that decision criteria include:
 - A broad and inclusive governance structure, as described in Section 5 above that properly weights the priority the legislation has placed on serving low-income and disadvantaged communities with representation from community-oriented finance organizations as well as environmental and energy justice organizations, and that empowers the board to set strategic direction, approve budgets, review the performance of the Executive, and carry out other commonly-understood responsibilities of nonprofit boards.
 - A consideration of the entity’s track record in managing a financial institution, underwriting loans, administering grant programs, administering capacity-building programs, and the many other skills that would be required, including capacities of teaming partners.
 - A clear plan for how the entity will work with indirect recipients, including binding assurances that the entity will not consider prior political support or lack thereof in any decision making regarding indirect recipients or any other subgrantee or supported entity.
 - A clear plan for how the entity will manage what promises to be an enormously complex set of strategies that must be implemented to reach across sectors and regions to meet the varying needs of different low-income and disadvantaged communities across the country.