May 12, 2023

Michael S. Regan, Administrator
U.S. Environmental Protection Agency
Office of the Administrator
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Administrator Regan,

On behalf of the Natural Resources Defense Council (NRDC), we are pleased to provide comments in response to the Environmental Protection Agency's (EPA) proposed Implementation Framework for the Greenhouse Gas Reduction Fund (GGRF). NRDC is an international nonprofit environmental organization with more than three million members and online activists. Since 1970 our lawyers, scientists, and policy advocates have worked to protect the world's natural resources, public health, and environment.

Over the last decade, NRDC has increasingly focused on how, using the green bank model, public funds could dramatically increase private investment in the clean energy transition and help to accelerate the shift to a greener, more prosperous economy that benefits everyone. Our experience providing input on various versions of federal green bank legislation dating back to 2010; advocating for and supporting the creation of the New York Green Bank in 2012; co-founding and serving as the secretariat of the global Green Bank Network in 2015; in recent years working alongside community development financial institutions (CDFIs) and credit unions charting innovative clean energy models; and working on the ground to equitably deploy clean energy solutions gives us informed insights on the green bank model and community development finance. We see clearly how critical our financial system is in reducing carbon emissions, bolstering climate resilience, and supporting development that is sustainable and equitable.

We commend EPA for all the hard work that went into proposing the Implementation Framework, and for soliciting public input on it. NRDC's private/public finance expertise puts us in a unique position to comment on the design and implementation of the GGRF, which we believe can be a critical tool in accelerating a more equitable clean energy transition. **NRDC has no intent to apply for funding under the GGRF.** Instead, our interest is exclusively in ensuring the long-term success of this program as a critical driver of a more equitable clean energy transition across the country.

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I. GGRF Ecosystem Development and Demand Generation

As highlighted in page 11 of our Practitioner Letter to EPA, described in detail throughout NRDC's RFI Response, and discussed in depth by many other organizations in their RFI responses[1], GGRF statutory language clearly recognizes the critical role technical assistance (TA) plays in developing a pipeline of financeable projects and in supporting a robust ecosystem of GGRF lenders and implementers**.** Several groups, like the Strong Prosperous and Resilient Communities Challenge (SPARCC), Emerald Cities Collaborative, and Just Solutions Collective have called for robust infrastructure and resourcing of responsive and flexible technical assistance, from capacity and workforce development, predevelopment, market analysis, energy assessments, and related supports especially critical to small businesses and disadvantaged communities. **Our reading of the Implementation Framework, however, leaves us with a clear sense that, as it currently appears, the GGRF lacks a comprehensive and funded TA and pipeline development strategy. Such a strategy is needed to develop a robust GGRF ecosystem of community lenders and implementers, and ultimately a self-sustaining market of qualified projects that deliver benefits to millions of households and businesses across the country.**

We understand that there exist a number of complementary TA, capacity building, and workforce development programs funded by EPA, DOE, and HUD[2] that eligible recipients and community lenders may be able to access to build their capacity, develop projects, and ultimately improve their delivery of GGRF capital. Indeed, we encourage EPA to identify and detail existing programs and their specific applicability to GGRF Priority Project Categories (e.g., TA, capacity building, and workforce programs focused on existing building decarbonization) so that eligible recipients and community lenders have a clear vision of the TA resources available when crafting their Program Linkages Plans. However, this alone is not enough.[3] **Without a more robust TA and pipeline development strategy within GGRF, EPA risks a fragmented and**

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[1] See, e.g., comments submitted by Americans for Financial Reform Education Fund, University of New Hampshire Carsey School of Public Policy, Calvert Impact Capital, Equitable and Just National Climate Forum (EJNCF), Sierra Club, Harvard Environmental & Energy Law Program, Inclusiv, Strong, Prosperous and Resilient Communities Challenge (SPARCC), Hannon Armstrong, Center for American Progress, The Kresge Foundation and The Schmidt Family Foundation, Milken Institute, National Housing Trust, Rocky Mountain Institute (RMI), Members of the Federal Electrification Policy Coalition, The State of New York, Solar Energy Industries Association (SEIA), Health Care Without Harm, Elevate, Just Solutions Collective, American Council for an Energy-Efficient Economy (ACEEE), Local Initiatives Support Corporation (LISC), Climate Mayors, and Rewiring America. https://www.regulations.gov/docket/EPA-HQ-OA-2022-0859/comments

[2] Several programs may provide applicable technical assistance, such as the EPA and DOE's Environmental Justice Thriving Communities Technical Assistance Centers (EJ TCTACs) and EPA's Environmental and Climate Justice Grant program. HUD's Section 4 Program is also a potential source of capital that could be used by community-based organizations to build capacity to deliver qualified projects.

[3] See, for instance, New Ecology's Implementation Framework comment submitted to EPA that details the lessons learned over 20+ years of greening affordable housing. Their experience across multiple jurisdictions has taught them that lower-cost financing needs to be packaged with subsidized TA, project-level subsidy, and/or mandates to achieve scalable affordable housing decarbonization. Included in their letter are case studies that illustrate the financial reality many affordable housing owners face when considering building decarbonization retrofits.

disjointed delivery of qualified projects, and an undeveloped ecosystem of community lenders that have not been appropriately equipped with the tools needed to fulfill the ultimate opportunity GGRF presents. As discussed in prior comments, a well-coordinated and resourced TA and pipeline development strategy is critical to maximizing benefits in low-income and disadvantaged communities (LI/DAC).

<u>Recommendation 1</u>**: Fund centralized and shared TA and market support functions in the NCIF and CCIA programs** through: (1) Awardee Capacity and Platform Development Budgets, and (2) Administrative Cost Budgets that incorporate key aspects of market support.

- **More centralized TA budgets (Awardee Capacity and Platform Development Budgets) at the awardee level in both the NCIF and CCIA program can support the development of widescale market-building investments.** As much as possible, TA should be designed and delivered at a centralized level to maximize efficiency– this includes product design, documentation, and training; reporting and monitoring platforms; general lender education; playbooks, resources, case studies, and so on. Awardees should be required to develop a budget for centralized resources that will avoid inefficient spending and replication of TA and capacity building approaches across NCIF and CCIA at both the awardee and subrecipient/community lender level. *This is not to say that supporting the creation of a TA and outreach ecosystem at the local level is not important.* Only local providers can build trusting interpersonal relationships to help communities move projects forward. Rather, we are saying that community-based TA providers should be drawing from a shared, national-level pool of expertise, tools, and resources rather than creating these tools from scratch in every community. For example, these national-level resources could include software, data, and monitoring/evaluation tools, training curricula, website templates, marketing materials, case studies, and a pool of national-level experts that can advise local providers.
- **NCIF and CCIA TA investments should not be duplicative, but rather complementary.** TA in the NCIF could focus on creating shared infrastructure like product standardization, reporting platforms, and investment strategies that can crowd additional capital into GGRF-financed projects (e.g., by building secondary markets). TA in the CCIA, on the other hand, could focus on (1) basic lender training and support for pipeline building and (2) broader education efforts such as regional hubs, and market education programs. CCIA investments in TA could cover: how community lenders can become more familiar with eligible technologies and avoid unwittingly funding ineligible costs; GGRF lexicon and products supported by GGRF awardees; pipeline development strategies; identifying customer TA or support needs; knowledge of local, state and federal incentives; and climate-product tailored due diligence and underwriting.
- **Include other market support-related investments as allowable expenses in Awardee Program Administration Budgets in the NCIF and CCIA programs.** Such investments could include "ramp-up" costs for awardees to launch their GGRF-related programming

and products; technologies and platform approaches that connect borrowers with lenders (e.g., marketplace platforms); support and technology tools to facilitate origination of standardized loan products; and national branding and marketing.

<u>Recommendation 2</u>: **Do not limit predevelopment resources flowing into qualified projects and allow lenders the flexibility to determine predevelopment expense eligibility.**

- Many catalytic investments are early stage, where private capital is rarely interested in playing a role, and "but for" that early investment, the project would never move forward. **Investments that provide the up-front capital to pay for energy audits, site assessments, feasibility assessments, architecture and engineering, owner's representatives, legal services, and other predevelopment costs are critical in developing a pipeline of GGRF-financed projects.** GGRF capital can also play a critical role in early-stage community benefits planning and agreements for larger projects, laying the groundwork for future benefits for communities, particularly those living in low-income and disadvantaged communities. Even though such investments may produce low leverage at the time of investment, when considering the total development capital stack that will deliver a project, such predevelopment investments can unlock millions, if not billions of private capital flows into qualified projects.
- **EPA should not limit the ability of GGRF awardees and community lenders to determine and invest in predevelopment expenses for qualified projects.** Flexibility on how to design and deploy predevelopment capital is critical in building a pipeline of projects and EPA should not set a hard and fast percentage cap on allowable predevelopment costs. Instead, EPA should allow awardees and community lenders to determine eligible predevelopment expenditures that ensure greenhouse gas (GHG) emissions reductions, as long as they are directly related to the borrower's ability to complete the qualified project and not ancillary to the GHG reduction technology, measure, or activity.
- **To ensure funds are wisely spent, EPA can establish a comprehensive, "safe-harbor" list of qualified predevelopment expenses[4] and require eligible recipients and community lenders to track and report on whether the project happened or not, as well as whether the scope was constant or reduced.** Lenders should be incentivized to focus on higher impact projects, and this should include predevelopment in the calculation, thus motivating lenders to avoid wasteful predevelopment spend as much as possible. In many cases, these expenditures can be repaid from, or rolled-over into, longer-term or permanent project financing.

[4] Such a safe-harbor list should be inclusive of: energy audits, site assessments, feasibility assessments, architecture and engineering, owner's representatives (e.g. for building decarbonization), and applicable legal services. However, lenders should retain the ability to include any legitimate pre-development expenditures that are both reasonable and directly related to the ability of the borrower to implement GHG reducing technologies, whether or not they are included on the safe harbor list.

__Recommendation 3__**: Increase TA investment for community lenders receiving a TA subaward under the CCIA program.** As discussed below in the CCIA section, a 12.5% cap on TA investment for community lenders receiving capitalization funding is insufficient to truly incent behavior change, deploy projects benefitting low-income and disadvantaged communities, and achieve market transformation. A larger downpayment is needed for many community lenders – especially those with small but growing work in GGRF-related projects or those that are in the earlier stages of development – to build internal capacity to deploy GGRF capital, as well as to provide the necessary capacity building on the ground that will spur GHG-reducing projects across the country, including beyond GGRF-financed projects.

- The one thing that really cannot be centralized is pipeline development. This has to happen at the community level, whether it is done by staff at a community lender, by community-based technical assistance partners, or (most likely) by some combination of both. Community lenders need more staff resources to finance GGRF-related projects than most of their current business lines. And they likely need technical expertise that they don't have in-house. This should be a big focus TA subaward for community lenders, plus ensuring adequate underwriting and risk management.

__Recommendation 4__**: Within the NOFOs, include a detailed list and description of applicable and complementary federally funded TA programs, along with relevant pathways to match applicants with appropriate programs, to increase the likelihood that eligible recipients and community lenders tap into existing TA opportunities**. Such a list should include how each TA program maps to a corresponding priority project category, as well as the areas of support provided within the project development lifecycle. By providing this level of information in corresponding NOFOs, EPA can facilitate more robust Program Linkages Plans submitted by applicants.

II. Clean Communities Investment Accelerator (CCIA)

In our Practitioner Letter submitted to EPA in December 2022, we argued that hundreds of retail lending institutions ("community lenders") across several established industries could be tapped to deploy GGRF capital efficiently, equitably, and effectively into qualified projects across the country. A significant secondary benefit of this approach is that several key lending industries and a large number of lenders could be engaged in a process that leads to market transformation – green banks can grow and proliferate, and more traditional financial institutions that serve the day-to-day needs of Americans can become "green" lenders. Ultimately, "green" investments can become "mainstream" investments that do not rely as much on public subsidy.

We appreciate EPA's desire to seed this vision via the CCIA competition, however, the CCIA design outlined in the Implementation Framework contains significant constraints and design elements that will ultimately hamper market transformation and sustained financing of qualified projects. Below, we recommend a few changes to the CCIA design that would result in broader uptake, more significant and widespread behavior change, and ultimately, a more robust GGRF ecosystem that delivers more qualified projects that will benefit millions across the country.

<u>Recommendation 1</u>**: Remove the $5 million fixed dollar cap on Capitalization Funding (and resulting TA subawards) to community lenders and replace the cap with: (1) a formula-based cap sized to a community lender's net assets; or (2) a portfolio-wide cap at the CCIA awardee-level that is based on the average Capitalization Funding award across their portfolio of community lenders (which would allow for capitalization funding variation between community lenders with different sizes and capacities).**

- The $5 million cap on Capitalization Funding and the resulting $625,000 cap on TA subawards (set at 12.5% of Capitalization Funding award) are quite small for many community lenders and will not incent widespread behavior change nor sustained adoption of GGRF-related focus on qualified projects, ultimately undermining EPA's goals for market transformation. Such minimal awards will likely result in a smaller uptake (and likely by lenders already doing this work) given the administrative burdens community lenders may face under EPA's Subaward Policy, as well as dampen the demand/interest from eligible recipient applicants who may have to administer 400+ subawards for EPA.
- **The capitalization funding should be evaluated on an annual basis so that organizations that are quickly growing and leveraging the funds by making investments in qualified projects can be eligible for additional grant dollars over time.** Pursuing such a formula-based cap will allow for CCIA to support both new and emerging community lenders who may start at a smaller subaward but graduate to larger awards over time, as well as well-established community lenders with the

capacity to quickly leverage a substantially larger award and deploy capital into qualified projects at a greater scale.

Recommendation 2: **Increase the TA subaward maximum cap for community lenders to 20% of the Capitalization Funding award.** As we discussed at length in our RFI Response, and highlighted by groups like SPARCC, Emerald Cities Collaborative, and Just Solutions Collective, serving LI/DAC requires expertise, experience, and established relationships of trust, as well as different strategies, including the prioritization of technical assistance, capacity building, and project development support. A $625,000 cap on TA for community lenders will fall significantly short on both the investment needed to build capacity of community lenders to invest in qualified projects, and the necessary project development support needed to deploy projects that deliver tangible benefits to LI/DAC. Further flexibility in the TA subaward can enhance efficiencies and allow community lenders to provide simplified, coordinated procurement processes. Other approaches EPA could take to increase the TA subaward cap for community lenders while protecting against downside risks include:

- TA subawards evaluated on a portfolio-wide basis, with a raised 20% cap.
- An ability for a CCIA awardee to get an exception to provide a higher TA subaward where merited (e.g., for very high-need communities or for high-impact strategies that will result in significantly higher GHG reductions than the norm).
- The ability to make time-limited TA subawards that if not spent by one community lender can be reallocated to another lender with need/progress.
- An ability to dip into the CCIA TA services funds, if that is proving to be a successful strategy.

Recommendation 3: **Provide more guidance to CCIA awardees and community lenders on eligible projects/technologies and remove the current requirement that community lenders only invest in Priority Project Categories.** As noted below in the Qualified Projects and Priority Project Categories section, setting such a restriction on use of funds in CCIA risks creating long-term market inefficiencies in LI/DAC and does not provide awardees the flexibility to make programmatic adaptations to serve their communities. Under CCIA, eligible recipients and community lenders should be empowered to respond to the unique needs and assets in communities, and they should be allowed to provide financial and technical assistance to qualified projects accordingly.

- As discussed in more detail in NRDC's RFI response (pages 31-40), EPA should: (1) develop and maintain a list of "safe harbor" projects and technologies; (2) indicate projects/technologies that are disallowed; (3) provide clear guidance to CCIA awardees and community lenders on how to evaluate eligible technologies and qualified projects; and (4) create a process where community lenders can submit request to CCIA awardees for confirmation of eligibility.

<u>Recommendation 4</u>*:* Where possible, capitalization funding should flow to community lenders as subsidies. In discussing the capitalization funding to be provided by CCIA grantees to community lenders, EPA notes that it expects to define [in the Notice of Funding Opportunity] whether grantees must provide that funding via subgrants (governed by the EPA Subaward Policy) and/or subsidies (governed by the EPA Guidance on Participant Support Costs).[5] We recommend that EPA permit capitalization funding to be provided in the form of subsidies to the extent practicable. For many community lenders it will be difficult to summon the resources, or to implement the necessary infrastructure, to comply with the "flow-down" compliance requirements that apply to subawards, and to respond to grantee monitoring and audit requirements. As long as capitalization funding can be described in grantee budget narratives and work plans, and adequately supported by accounting records, EPA should permit it to be provided in the form of subsidies.

<u>Recommendation 5</u>: Go beyond Justice40 in a program where 100% of funds are targeted to LI/DAC. We commend EPA for its adherence to Justice40 principles across the three GGRF programs. However, EPA should take additional action to ensure that the GGRF effectively delivers benefits to underserved communities and households. As discussed below in the LI/DAC and Justice40 Section, if 100% of program dollars are to be expended in LI/DAC, then most, if not all of the benefits should flow to those communities.

[5] EPA GGRF Implementation Framework, pages 28-29.

III. National Clean Investment Fund (NCIF)

The Implementation Framework clearly articulates a vision for eligible recipients of the NCIF program to serve as both a direct investment vehicle for GHG-reducing projects across the country, and as a capital provider to community lenders investing in qualified projects. Of open question, however, is the relative weight EPA will place on each of these responsibilities, and the allowable types of investment that can support community lenders. On both of these points, we agree with Calvert Impact Capital's feedback **that to effectively execute a national strategy and reach tens of thousands (if not millions) of qualified projects (including households, buildings, businesses, etc.) there needs to be effective intermediation and broad and flexible support of community lenders in the GGRF ecosystem.** Solely making smaller dollar loans across the country is not feasible, nor is it an efficient way for NCIF awardees to lend for broad distribution.

<u>Recommendation 1</u>**: EPA should clarify that financial assistance other than standard debt products (e.g. flexible equity-like investments, guarantee programs, etc.) to community lender balance sheets under the NCIF program is permitted as a qualified project, to support widespread deployment of GHG- and other air pollution-reducing projects.**[6] EPA has wisely proposed to structure the NCIF and CCIA programs so that they have the potential to work synergistically together, with the NCIF providing a diverse and flexible set of financial products to community lenders and the CCIA providing non-repayable seed capital to them in the form of capital grants. Simply put, as an investor via its eligible entities, the EPA is directing investment on two layers of the capital stack, one that will never be repaid to provide core support and another with returns associated with it to promote long-term sustainability.

As we noted in the CCIA Section above, we recommend additional flexibility the capital grants under the CCIF to reap the full potential of that program. In addition to that recommendation, the NCIF provides for a broad range of financial assistance, including equity investments, forgivable and partially forgivable loans, and debt with equity features. These latter financial products, in particular, can be used as a much-needed complement to the grant-funded balance sheet support that is available to community lenders under the CCIA. To ensure that EPA receives responsive and creative applications that, among other things, link the NCIF and the CCIA to maximize deployment, we recommend that that EPA clarify that these financial products can be used to strengthen balance sheets as long as investees can draw a line to qualified projects.

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[6] For example, one way to support the balance sheet of community lenders is to is to provide secured lines of credit that are drawn to fund specific Qualified Projects, where the asset is pledged to the loan. This is common in the green bank market and can be an effective tool to support liquidity for green banks and other similar lenders. However, it is not common (and often prohibited) for many CDFI loan funds to take on secured debt. Most lenders to the balance sheets of CDFIs have full recourse to the balance sheet of the lender, but are unsecured and prohibit any secured borrowings. There are certainly ways to structure around this, but only offering secured debt may limit the number of CDFIs who are able to access liquidity from the NCIF.

__Recommendation 2__**: Invest in centralized and shared TA platforms that support broad market transformation.** As discussed in the GGRF Ecosystem Development and Demand Generation section above, **centralized and shared TA platforms for community lenders across the GGRF ecosystem are critical to market transformation and standardized reporting.** EPA should allow for centralized TA component of NCIF or provide allowable uses in the program administrative budget for market support functions as a percentage of the total award.

__Recommendation 3__**: Do not limit predevelopment resources flowing into qualified projects and allow lenders the flexibility to determine predevelopment expense eligibility.** Please see our discussion on the importance of predevelopment investment in the GGRF Ecosystem Development and Demand Generation Section above.

__Recommendation 4__**: Require Organizational Experience for NCIF applicants.** Just like the application under the CCIA program, EPA should require applicants to provide a description of their organizational experience as it relates to the activities required under the NCIF program and evaluate them accordingly. In our view, it is incongruous that the Organizational Plan and the Management Plan do not require senior management to include individuals with relevant expertise.

IV. Solar For All (SFA)

The GGRF's $7 billion program to deploy "zero-emission technologies" in LI/DAC has tremendous potential to reduce pollution, lower energy costs, and create economic opportunity in marginalized communities. However, achieving these goals requires careful planning and policy design. The proposed Implementation Framework takes positive steps towards realizing the potential of this program, but overlooks critical considerations that, if not addressed, will dramatically limit the GGRF's ability to deliver emissions reductions in LI/DAC. The recommendations below provide a path to addressing those concerns.

Recommendation 1: Energy efficiency should be allowed as an eligible use for "enabling upgrades." The Implementation Framework currently lists rooftop and community solar, associated storage, and enabling upgrades as eligible uses of funds. Given that these funds are focused entirely in LI/DAC, allowing energy efficiency to qualify will ensure that the SFA program maximizes benefits in these communities.

- NRDC and partners have identified an array of benefits to communities, residents, building owners, and small business owners that stem from allowing energy efficiency to complement investments in solar. By pairing these investments, people and communities who would otherwise be left out of the clean energy transition will instead be able to participate in and benefit from it.
- It is critical that EPA affirmatively allow for investments in energy efficiency alongside investments in solar to reduce energy burdens; maximize the number of households served by solar through right-sizing solar investments with lower-cost energy efficiency; and enable efficient program design. Allowing states, local governments, and Tribes to include efficiency will improve program accessibility while reducing pollution reduction burdens in Black, Brown, and rural communities. Further, efficiency paired with solar reduces the project costs, mitigating the risk of balloon lease payments and reducing the regulatory risk to low-income households of shifting rate structures.

Recommendation 2: Consider the context of regional electricity rates, solar development costs, and the numerous solar incentives that now exist under the Inflation Reduction Act (IRA), and reward SFA applicants for Meaningful Benefits Plans that achieve savings beyond the 20% floor. NRDC strongly believes that 20% is too low in many areas of the country given other IRA incentives to deploy solar, as well as other local, state, and regional factors. The National Community Solar Partnership established 20% as meaningful bill savings in 2021, before the IRA was passed. The IRA [7] in the many geographic areas around the country that

[7] Additional increases to the tax credit are also possible (for domestic content or low-income categories), but they are less assured and will likely be less commonly achieved, at least for the next few years while this funding is going out.

qualify as energy communities. Access to grant funding from SFA programs could further drop the installed cost of community solar by 50% in many areas.

- The average cost of residential electricity in the U.S. is about 14-15 cents per kWh, but the range is significant, with the lowest state rates being about 10 cents[8] and the highest being over 30 cents.[9] Therefore, **EPA should set a floor for savings at a minimum 20% and reward applicants for higher savings that are achievable within the context of regional electricity rates, solar development costs, and the numerous solar incentives that now exist under the IRA.**
- The Implementation Framework states that systems must deliver at least 20% "net savings" to low-income households. **EPA should clarify that "net savings" means savings vs. the households' average annual electricity bill, rather than 20% savings as compared to the utility rate.** If subscription sizes are smaller than a household's average annual usage, a 20% discount on the utility rate for the portion of their usage covered by the community solar subscription will not actually translate to 20% savings on their electricity bills. Clarifying this phrase will ensure that community solar subscriptions are appropriately sized to make a meaningful reduction to households' electricity bills while still allowing jurisdictions flexibility to design programs that best suit the needs of their communities.

<u>Recommendation 3</u>**: Equity Accountability Plans should address renters specifically, and programs should include design features to convey accounts with people rather than buildings.** EPA should clarify or provide examples illustrating what "meaningful benefits" might mean in the context of funding a traditional net-metered system (i.e., not community solar) on the rooftop of a master-metered multifamily building that serves primarily low-income tenants. This will help ensure jurisdictions aren't incentivized to just leave these households out of their SFA programs due to a lack of clarity.

- Benefits might include new resident services, building improvements (common area upgrades or energy efficiency investments, etc.), or other shared amenities for income-qualified residents. In DC, for example, one group of master-metered building residents in an early Solar for All demonstration project opted to have their building's solar system savings go toward paying for a security guard at the front door of the building, and another group opted to have their savings pay for a shuttlebus.
- Without clear conditions in place on the receipt of a grant for a solar system on a master-metered building, there is a risk that the annual savings from the system could end up going primarily to the building owner rather than the residents. **EPA should**

[8] Of the states that allow community solar (see https://www.epa.gov/green-power-markets/shared-renewables), Oregon is a solo outlier for a low residential electricity rate.
[9] Average Price of Electricity to Ultimate Customers by End-Use Sector, EIA. 2023, https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=epmt_5_6_a

require that an enforceable tenant benefit agreement be in place prior to a jurisdiction granting funds to install a solar system on a master-metered building.

<u>Recommendation 4</u>: **EPA should clarify that multifamily buildings and family farms are eligible for all forms of financial assistance and technical assistance under SFA programs, even though they might technically be classified as commercial properties.** In the proposed Implementation Framework, the word "residential" can be interpreted to exclude commercial properties where millions of American families actually live, especially in LI/DAC.

<u>Recommendation 5</u>: **EPA should allow SFA programs to use a portion of award funding to offer TA and credit enhancements for solar PV installations on community buildings, churches, health centers, charter schools, and small businesses.** Solar PV installations on community buildings can have a catalyzing effect in LI/DAC, and especially in rural communities. If SFA programs can adopt a comprehensive, community-wide approach, EPA will be better able to facilitate numerous follow-on benefits such as:

- An activated network of local credit unions, CDFIs, and community banks that are interested financing the installation of solar PV even after the SFA funds are exhausted;
- Long-term job creation and workforce development opportunities in LI/DAC; and
- Wealth creation opportunities for minority, veteran, and women-owned businesses.

V. Qualified Projects and Priority Project Categories

We applaud EPA for specifying that all qualified projects must meet certain key criteria, including reducing emissions in line with the U.S. Nationally Determined Contribution to the Paris Agreement and E.O. 14008; delivering benefits to communities by alleviating two or more CEJST burdens; providing financial additionality; spurring additional investment; and only extending to commercially available technologies. We similarly appreciate EPA's identification of the three priority project categories, although as mentioned previously, **we urge EPA to provide clear and specific guidance to awardees and community lenders regarding eligible "safe harbor" projects and technologies, as well as disallowed projects and technologies.**[10]

In addition, **we are concerned that the Decarbonization Retrofits of Existing Buildings priority project category may be construed too narrowly and may limit investment in critical building decarbonization projects by not explicitly listing single-family homes as eligible and by not encouraging adaptive reuse of existing, location-efficient buildings.** By neglecting to highlight the importance of single-family homes and the strategic opportunity location-efficient buildings present, EPA risks missing key pathways to decarbonize significant sources of climate pollution.

Finally, while we applaud EPA for identifying priority project categories, **we firmly believe that certain types of technologies should be explicitly deemed ineligible due to their incompatibility with the GGRF's overall climate, equity, and financing priorities.**

Recommendation 1: Identify prohibited or ineligible project categories. It is critical that EPA deem certain projects or technologies ineligible due to their incompatibility with the GGRF's program goals, as well as the statutory text that established the program. For instance, EPA should specify that funds may not be used for carbon capture and sequestration, which both enjoys sufficient access to financing from other federal programs and fails to alleviate CEJST burdens. Moreover, since EPA has clarified that NEPA will not apply to GGRF-funded projects, it is doubly important that the agency disallow certain project types that, in the absence of a full review that includes community engagement and analysis of environmental impacts, may conflict with the GGRF's environmental, climate, and equity goals. For a list of other technologies and project categories we believe should be disallowed, please see page 40 of NRDC's RFI Response.

Recommendation 2: Include single-family homes, as well as manufactured/mobile homes, among examples of eligible projects in the Decarbonization Retrofits of Existing Buildings category. Single-family homes are the largest segment of the U.S. housing stock[11] and they are

[10] As discussed in more detail in NRDC's RFI response (pages 31-40), EPA should: (1) develop and maintain a list of "safe harbor" projects and technologies; (2) indicate projects/technologies that are disallowed; (3) provide clear guidance to CCIA awardees and community lenders on how to evaluate eligible technologies and qualified projects; and (4) create a process where community lenders can submit request to CCIA and NCIF awardees for confirmation of eligibility.

[11] https://www.urban.org/sites/default/files/publication/105262/housing-supply-chartbook-december-2021_0.pdf

increasingly responsible for emissions from the buildings sector.[12] In addition, manufactured/mobile homes are often excluded from programs that could reduce their GHG impact. EPA should explicitly include single-family homes and manufactured/mobile homes as a target for building sector decarbonization, since the GGRF is uniquely able to support projects in those homes. **GGRF funds can and should – and, per the Implementation Framework, presumably will – flow to lenders like credit unions that are best positioned to do consumer lending at scale.** Tapping credit unions' expertise and experience will allow investments to reach this critical segment of the building sector (as well as other sectors like zero-emissions transportation modes), particularly in underserved communities.

<u>Recommendation 3</u>: Clarify that investments in adaptive reuse of existing, location-efficient buildings be included in the Decarbonization Retrofits of Existing Buildings. The GGRF offers a unique opportunity to invest in decarbonizing affordable housing and commercial space through adaptive reuse of existing vacant or substantially underutilized buildings – particularly in compact, connected, walkable, and mixed-use neighborhoods in disinvested urban corridors or distressed rural downtowns. When paired with energy efficiency and electrification upgrades, adaptive reuse of existing buildings can save 50-75% of the carbon expended in a new construction project[13] and should accordingly be identified as an eligible form of building decarbonization investment.

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[12] See, e.g., https://www.eenews.net/articles/study-warns-housing-trends-could-cancel-out-co2-cuts/.

[13] See comments submitted by Smart Growth America and Main Street America in response to the EPA's RFI for the GGRF.

VI. LI/DAC and Justice40

We commend EPA for its intent to ensure that benefits extend to low-income and disadvantaged *households* (regardless of which community they are located in), as well as its cross-cutting adherence to Justice40 principles. These guiding principles of program design are a necessary step to take in designing an equitable GGRF. Still, EPA can and should take additional steps to optimize the flow of funding and benefits to low-income and disadvantaged communities and households.

Maximizing the impact, inclusivity, and additionality of GGRF for LI/DAC and community-led solutions necessitates clear guidance for qualified applicants, projects, and benefits tracking. We appreciate the focus on tangible benefits for such communities through each of the funds. We also emphasize the need for further clarity especially related to the implementation of the Justice40 framework to ensure that these benefits achieve their intended outcomes.

<u>Recommendation 1</u>**: EPA should provide further guidance in the NOFOs evaluating the benefits to LI/DAC.**

- All three GGRF programs allocate grant funding for LI/DAC, and the CCIA and SFA programs specifically allocate 100% of their respective funds for LI/DAC. Further guidance should clarify that aligning the benefits tracked with the Justice40 initiative will not limit the benefits from GGRF that flow to residents in these communities (e.g., capping those benefits at 40%).
- Further detail in the NOFO that speaks to the allowance of qualifying households and small businesses outside of CEJST designated areas will grant the flexibility needed to reach those in greatest need.

<u>Recommendation 2</u>**: EPA should seek to strengthen, not weaken, the accountability to low-income and disadvantaged communities and households alike.**

- In order to avoid unintended harm, such as gentrification and displacement, and to ensure that LI/DAC are in fact the intended beneficiaries, it is important to specify that projects that originate in LI/DAC are not subject to providing only partial benefit to such communities in this application of the Justice40 framework.
- In this case, since 100% of the funding is for low-income and disadvantaged communities, most if not all of the benefits should be directed towards these communities, complying with and surpassing the Justice40 goal. While co-benefits to non-LI/DAC from these projects are beneficial and should not be limited, EPA should ensure that LI/DAC are the main target for receiving the benefits from the funding.

VII. Additional Recommendations and Questions

In addition to the recommendations outlined in the sections above, we encourage EPA to take certain cross-cutting feedback and questions into consideration. By addressing the recommendations and questions below, EPA can maximize the impact of this program while proactively addressing concerns stemming from the proposed Implementation Framework.

Recommendation 1: **Strengthen requirements in the NCIF and CCIA application components to align with the principles articulated in Just Solutions Collective et al's GGRF Awardee Best Practices for Equity and Governance Pledge.** While the Implementation Framework provided important application components like the Equity Accountability Plan and the Description of Governance, none of the language suggests that EPA will have specific requirements associated with such plans or application components. In addition, EPA is silent on anti-displacement requirements and other important safeguards that are outlined in the Equity and Governance Pledge linked to above. The GGRF is entrusting billions of dollars to nonprofits, and in particular for the NCIF and the CCIA programs, the funds are being distributed in a relatively concentrated way to a select number of recipients. Without requiring these applicants to be thoughtful and intentional on details like representation, track record, community outreach, labor standards, consumer protections, and everything else listed in the plans, the EPA will be unable to judge applicants effectively across these components and the GGRF may fail to accomplish all three of its stated objectives. W**e encourage EPA to adopt the GGRF Awardee Best Practices fo Equity and Governance principles in its NOFOs and score applicants accordingly when making award decisions.** At minimum, EPA should update the stated objectives from requested ("may") to required ("must" or "should") to create a gold standard for how justice should be front and center in a successful climate and industrial policy program.

Recommendation 2: **EPA should seek to leverage capital broadly, including private sector capital and other sources of capital, such as other public funds.** The GGRF should set a goal of increasing the total amount of capital going to underserved sectors – particularly low-income and disadvantaged communities and households – and this should include leveraging other public dollars.

- The concept of additionality seeks to answer the question: "But for this GHGRF investment, would this project be delivered?" For a project to get off the ground, it does not matter whether other capital sources are other federal, state, or local grants, utility incentives, or other public or quasi-public capital. What is important is that GHGRF unlock *all of those capital sources* to complete the GHG-reducing project. For a detailed discussion and proposal of how EPA should consider and measure leverage, please see Section 2.1 in NRDC's RFI Response (pages 16-17).

Recommendation 3: **EPA should allow and encourage awardees to go beyond "better than market interest rates".** Interest rate pricing is only one factor to consider, and we encourage EPA to consider fees and expenses in addition to interest rates passed down to borrower (e.g., the “all-in” cost of financing), as well as longer terms of financing (e.g. financing matched to the life of the financed asset – solar projects, for example, have a life of 20+ years).

- One way to approach this is within the NOFOs, where EPA should require applicants to identify the existing problems facing specific project types and/or technologies targeted and explain why the financial assistance and the pricing they are proposing will address those problems. EPA should expect detailed documentation and answers. For example, applicants providing low-interest loans or equity to indirect recipients need to clearly demonstrate how doing so will affect pricing at the project level, and how that will address current barriers faced in delivering qualified projects that benefit LI/DAC. They should also provide to EPA their revenue and cost assumptions, including any carry earned on undeployed GGRF funds.
- Applicants should not be seeking to engage in institution-building for its own sake. Instead, they should be evaluated with an eye toward passing the greatest amount of GGRF funds through to both community lenders and end-use borrowers *at least cost*.

<u>Recommendation 4</u>: In issuing the NOFOs – or additional guidance prior to the NOFOs – EPA should clearly address the outstanding questions and recommendations below:

- EPA should provide guidance on how to assess optimal technologies for GHG reduction in different states, and different regions. Is there guidance that EPA can provide on regional best practices for GHG reduction? What about parts of the country where the grid resource mix continues to include coal? In some areas, efficiency may have a better outcome than electrification.
- More clarity is needed on “direct” versus “indirect” investment, as there is market confusion on these concepts.
- More clarity is needed on the concept of “financial assistance” and “capitalization funding”, as there is market confusion on these concepts. More diverse examples would help.
- More definition is needed on the concept of leverage. What are allowable leverage calculation methodologies? Please see Section 2.1 in NRDC’s RFI Response (pages 16-17) for a deeper discussion.
- Clarify that examples which are provided in the guidance are not dispositive. Encourage creative solutions that comply with the program rules and definitions (as presented in the guidance and ultimately in the NOFO) and explain that examples provided in the guidance are not intended to limit activities to only these examples.
- EPA should clarify how funds may be used for “start-up costs.” Most NCIF or CCIA applicants would require funding for such costs associated with GGRF deployment; even established organizations will have some incremental, GGRF-specific costs (prior to obtaining revenue generated through GGRF, in the case of NCIF). If an appropriate amount is not awarded for these costs, awardees will have to use other internal or

external sources, which makes the program less attractive. In its NOFO, EPA should clarify if and how much of that can be used for start-up costs.

- Make GGRF-related information more accessible via the translation of key documents, as well as Q&A sessions with agencies and organizations administering the funds (both nonprofit awardees and the awardees of the SFA program). All the fact sheets, applications, information should be provided in Spanish, at the very minimum.
- User-friendly, EPA-approved tools are needed to help awardees and their partners evaluate the GHG reduction impacts of projects and to facilitate reporting of these impacts.