



The State Energy Financing Institution (SEFI) Program Playbook for States

How States Can Use SEFI to Boost
Clean Energy Investments



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About RMI

RMI is an independent nonprofit, founded in 1982 as Rocky Mountain Institute, that transforms global energy systems through market-driven solutions to align with a 1.5°C future and secure a clean, prosperous, zero-carbon future for all. We work in the world's most critical geographies and engage businesses, policymakers, communities, and NGOs to identify and scale energy system interventions that will cut climate pollution at least 50 percent by 2030. RMI has offices in Basalt and Boulder, Colorado; New York City; Oakland, California; Washington, D.C.; Abuja, Nigeria; and Beijing.

Table of Contents

Introduction	4
Using This Playbook	4
SEFI Basics	5
Key Program Details	10
RMI’s Guidance for States	13
Identify potential projects and decide whether to play an investment role for large projects or a borrower role for small projects	13
Identify potential state energy financing institutions	15
Provide meaningful financial support through an eligible SEFI to selected projects . . .	16
Conclusion	18

Introduction

In addition to **bringing a manufacturing boom** to US energy infrastructure projects via tax credits and grant programs, the Inflation Reduction Act (IRA) created a powerful but little-known new tool for states to drive economic investment: the State Energy Financing Institution (SEFI) program. **By funding or financing as little as 1%–5% of the project through an eligible SEFI, states can now strategically unlock billions in low-interest federal financing for large economic development projects, directing massive amounts of private capital to their communities.**

Created under President George W. Bush, the Title 17 Clean Energy Finance Program allows the US Department of Energy’s Loan Program Office (LPO) to offer loans and loan guarantees to large-scale energy projects that reduce climate and air pollution. Title 17 financing was historically restricted in scope to include “innovative technologies.” **However, with the passage of the IRA, Title 17 was expanded to include projects that use commercialized technologies.** Two loan authorities can lend to projects without an innovation requirement: SEFI and Energy Infrastructure Reinvestment (EIR).

Developers are shoring up energy and infrastructure projects on American soil at a pace unseen since the New Deal electrification of the South, and the race is on for decision makers to ensure that benefits flow to their states. Launching a SEFI program is one of the most strategic ways for states to ensure they’re not left behind in this era of unprecedented economic development and to direct LPO funding toward projects that support in-state goals. This playbook guides the creation of a SEFI in your region by incorporating lessons learned from states that have already launched their programs.ⁱ

Why Create a SEFI in Your State?

- Attract private capital to the state and direct investment to priority sectors.
- Cost savings for developers can be passed on to ratepayers and consumers.
- Large infrastructure projects drive job creation.
- Certain use cases (new renewable projects, new manufacturing plants) can significantly grow the local tax base.
- All use cases result in improved air quality for residents.
- State investment makes it easy for projects to raise additional financing.

Using This Playbook

This playbook is intended for state energy offices (SEOs), green banks, state finance authorities, governor’s offices, economic development offices (EDOs), and other entities or staff seeking to leverage private and federal capital for large infrastructure projects in their state. This playbook is not intended for project developers, contractors, or owners and operators of energy infrastructure, all of whom have important but different roles in ensuring a successful SEFI rollout. Tribal governments or developers looking to partner with tribes should reach out to LPO about the **Tribal Energy Financing Program**, which is considerably more flexible than SEFI.

ⁱ For the purposes of this playbook, “SEFI” refers to the green banks, housing finance authorities, SEOs, and other institutions that will provide meaningful support to project developers, while “SEFI program” implies the federal or state program through which that support is allocated.

SEFI Basics

The SEFI program provides up to \$40 billion in loans and loan guarantees for various manufacturing, energy, industrial, building, and transportation infrastructure projects. To qualify for LPO financing under the SEFI program, projects must:

- Be located in the United States.
- Use an eligible technology (see below).
- Use technically viable and commercially ready technology.
- Achieve significant and credible greenhouse gas (GHG) or air pollution reduction.
- Have a reasonable prospect of repayment.
- Receive **meaningful financial support** from a state energy financing institution.

What is meaningful support? The definition is determined on a case-by-case basis but could include state grants, loans, or tax credits representing as little as 1%–5% of the project cost. See page 16 for more details.

List of Eligible Technologies

- Renewable energy systems (e.g., on-site solar, new district-scale geothermal, new utility-scale wind or solar)
- Advanced fossil energy technology (e.g., methane and carbon capture, fossil energy efficiency improvements)
- Hydrogen fuel cell technology for residential, commercial, or industrial applications
- Advanced nuclear energy
- Carbon capture and sequestration technologies
- Efficient electrical generation, transmission, and distribution (including EV charging)
- Efficient end-use energy technologies (e.g., energy efficiency retrofits, fleet electrification, demand response)
- Production facilities for the manufacture of fuel-efficient vehicles or parts of those vehicles
- Pollution control equipment (technology that reduces air pollution)
- Oil refineries
- Energy storage technologies (includes EV bidirectional storage)
- Industrial decarbonization technologies (from industries including iron, steel, cement, and ammonia production)
- Supply of critical minerals

LPO advises that their loans should be generally greater than \$100 million to capture the value of the program, which means project costs should total more than that. Assuming the LPO loan covers 60%–70% of the total costs, projects should typically be greater than \$150 million. However, the amount of support that LPO provides varies, and projects should not be dissuaded from reaching out to LPO or their local SEFI if they have a slightly smaller project.

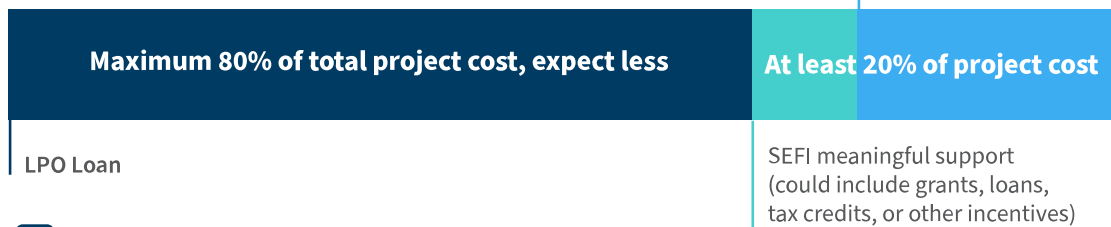
Not all states have an abundance of eligible projects that meet this threshold, and some might have none. Certain project types also don't lend themselves to this scale, such as building energy efficiency upgrades and transportation electrification. In such cases, LPO advises that the state or a project sponsor may form a special purpose vehicle (SPV) to aggregate small projects into a portfolio totaling at least \$150 million in project costs. The Center for Public Enterprise has published a [memo](#) detailing the specifics of creating and financing projects using this method. States without enough funding allocated to support eligible projects can also pursue regional partnerships or syndicates, wherein multiple state SEFIs pool their capital and provide support to companies with national portfolios.



SEFI as an Investor

(Large projects, likely >\$150 million)

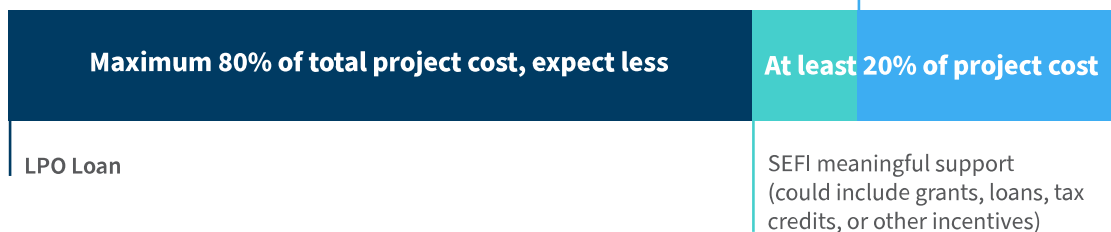
Sponsor and private equity
(could include philanthropic)



SEFI as a Borrower

(Aggregation of smaller projects totaling at least \$150 million, SEFI/private SPV is project sponsor)

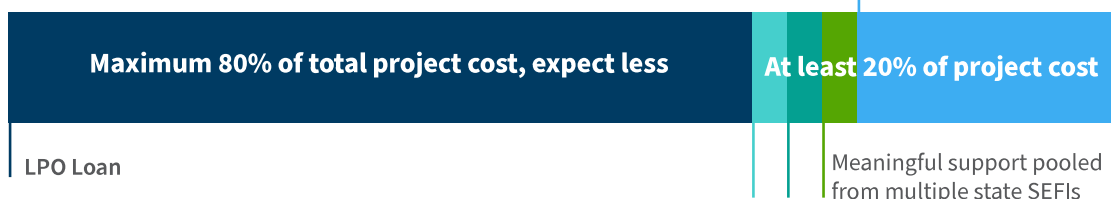
Equity capital organized by SEFI
(could include philanthropic)



SEFI as a Regional/Syndicate

(For states without enough capital to contribute meaningful support on their own)

Remaining capital could be organized by SEFI/SPV or project developer



Within this criterion, a wide array of projects can be supported through the SEFI program, and LPO encourages both states and potential developers to think broadly and creatively about the opportunity. LPO has released a helpful resource titled “**10 Things an Applicant Should Ask Themselves Before Applying to LPO**,” which supports developers trying to assess if their project is right for SEFI financing. The illustrative examples below demonstrate the range of possibilities for SEFI investment.



Example 1: School solar projects

The state creates an SPV to serve as a project delivery entity and applies for a loan directly from LPO. They work with state school districts or individual schools to create a pipeline of viable solar projects. Rather than borrowing money, participating schools sign a solar lease agreement with the SPV to have solar installed on their roofs for no money down. Part of their immediate operating cost reduction goes to paying off the lease, and these savings increase dramatically once the lease is complete. As the SPV owns the equipment, it claims the relevant renewable energy tax credits via direct pay. These tax credits can cover up to 70% of the project costs, allowing the SPV enough profit to finance additional projects through a revolving fund. On-site solar provides school operators relief from expensive and variable utility bills and increases resiliency for these community hubs.



Example 2: Virtual power plants (VPPs)

A SEFI-eligible VPP project could function in several different ways:

1. The SEO provides a SEFI award to a national VPP company as an LPO applicant to implement in the state.
2. A state green bank provides SEFI support to a VPP program manager as an applicant for low-cost loans for consumers.
3. Using on-bill financing by a utility for solar and/or storage, a local utility provides low rates to the consumer by using LPO financing. SEFI support provides additional incentives for customers.

VPPs increase grid reliability and resilience and improve the air quality of communities located near natural-gas-fired “peaker” plants, which disproportionately impact the health of people of color and low-income communities.



Example 3: Industrial retrofit

The SEFI provides economic development incentives to any industrial company (cement, steel, chemicals, etc.) willing to make decarbonization investments across multiple facilities, including basic efficiency and recycling upgrades, and industrial heat pumps. The companies package these commercialized retrofits with “innovative” technologies such as carbon capture and storage (CCUS) and on-site hydrogen production, which do not need SEFI support to qualify for additional LPO financing. The developer would seek an LPO guarantee of the loan used to install the upgrades, with loan repayment tied to lower operating costs and collection of the 48C or 45X tax credits for advanced energy or advanced manufacturing.



Example 4: District energy system

Higher education campuses and hospital systems are primed to capitalize on SEFI financing via clean district energy systems (e.g., solar, geothermal). The SEFI provides financial support in the form of grants or loans to system operators, schools, and/or hospitals, which then apply for LPO financing for building decarbonization, a district energy system, and EV charging. The work creates hundreds of jobs during construction, lowers owner’s operating costs, and increases resiliency in case of grid failure.

Note: if the district energy system replaces an on-site fossil system, the project is likely better suited for LPO’s EIR program (see table on page 9).



Example 5: Residential building efficiency and electrification

In this scenario, the SEFI provides subordinated debt capital or loan loss reserves to a private lender, which then provides debt financing and servicing to businesses across the state that acquire, renovate, and rent or re-sell midmarket single-family and multifamily homes. The businesses use the proceeds to install on-site renewables, build EV infrastructure, and improve the overall energy efficiency of the homes, lowering customer energy costs across the state and creating thousands of local construction jobs.

Note: If the total cost of all aggregated projects is less than \$150 million, residential retrofit projects such as this might be better suited for GGRF financing (see table on page 9).



Example 6: Fleet electrification

A state or coalition of municipal partners commits to electrifying its vehicle fleet and contracts with an electric fleet company to provide vehicles as a service for charging, storage, and grid response services. As the fleet electrification is unlikely to meet the “innovation” requirement for other Title 17 financing, SEFI offers a grant to unlock LPO capital. Municipalities could finance the project through bonds, but bonding affects how much they can make through direct pay tax credits, which makes LPO a more attractive option. If the state is interested in driving electrification within the private sector, the SEFI could directly borrow from LPO to provide low-cost financing to companies for fleet upgrades. EVs function as storage during power outages, providing much-needed resiliency for critical state and local actors in a crisis.

Some projects are better suited for financing through other avenues. The table below explores when and why a project team might seek financing from other LPO programs or the private lending market.

	Title 17: Energy Infrastructure Reinvestment (EIR)	Title 17: Innovative Energy or Supply Chain Technologies	Greenhouse Gas Reduction Fund (GGRF)	Private lenders
Eligible Project Types	<p>Any renewable energy resource or piece of infrastructure that replaces or decarbonizes an existing fossil resource or utilizes legacy fossil infrastructure.</p> <p>Examples:</p> <ol style="list-style-type: none"> 1. Taking a newly closed plant, remediating the coal ash on the site, building a solar and storage facility in its place, and using existing transmission lines to deliver new clean electricity. 2. Modifying an existing petroleum refinery to produce clean hydrogen. 3. Upgrading an existing transmission line to a higher voltage. 	<p>Projects that deploy a recently discovered or developed technology that has not reached full commercialization in the United States.</p>	<p>There are three buckets within GGRF, each with slightly different eligibility requirements.</p> <ol style="list-style-type: none"> 1. The National Clean Investment Fund (NCIF) is the most flexible and can be used for most projects that reduce GHG emissions. 2. The Clean Communities Investment Accelerator (CCIA) can only be used for distributed renewable generation, net-zero buildings, and zero-emissions transportation projects in low-income and disadvantaged communities (LIDACs). 3. Solar for All (SFA) is the most narrowly applicable and can only be used for residential solar in LIDACs. 	<p>Most project types.</p>
When/Why to Use Instead of SEFI	<p>Projects that are unable to acquire or do not want to pursue meaningful support from the SEFI.</p>			
	<p>Projects that qualify for financing under the EIR program do not incur the additional risk-based charge that SEFI-financed projects do and therefore receive cheaper capital.</p>	<p>Projects that qualify as an innovative technology.</p>	<p>Individual projects below \$100 million (without aggregation potential).</p> <p>Details of loan assistance for GGRF were still being established at the time of publication but will likely include innovative options such as forgivable and zero-interest loans, making this an attractive financing option for small projects.</p>	<ol style="list-style-type: none"> 1. Individual projects under \$100 million. 2. Projects that do not have the capacity to complete a NEPA review, create a Community Benefit Plan, or meet Davis Bacon requirements to offer workers prevailing wages (e.g., single-family home retrofits). 3. Projects developed by large companies or municipalities with extremely good credit ratings that can access private capital below the US Treasury Curve + 37.5 basis points + LPO's risk-based charge.

If project developers meet the eligibility requirements and successfully navigate the LPO **process**, they can receive financing for up to 80% (typically 50%–70%) of their eligible project costs at a **rate** often much lower than that available from private investors. **Although projects are not allowed to obtain federal grants or loans from other federal agencies for the same project, they can stack LPO financing with the newly strengthened tax credits** for clean energy investment and production, new and used EVs, EV charging, home and business efficiency and electrification, and industrial manufacturing — see table on page 11 for a list of relevant tax incentives.

Key Program Details



Many entities are eligible to receive LPO financing, including developers, businesses, contractors, utilities, manufacturers, public housing authorities, school districts, higher education institutions, and state, local, and Tribal governments.



The \$40 billion allocated via the IRA must be committed by September 30, 2026, and the LPO application process typically takes six to twelve months. This means that applications should generally be submitted by the end of 2025 and states should act now to execute SEFI programs and begin developing a project pipeline.



LPO does not set a minimum loan size. However, due to some fixed costs involved in receiving an LPO loan guarantee (e.g., third-party advisor expenses that start at \$1 million and monitoring and collateral agent expenses of \$150,000–\$500,000 per year), loan guarantees are typically extended to projects or transactions with project costs greater than \$150 million.



LPO loan guarantees can cover up to 80% of the eligible project costs, but this is determined on a case-by-case basis. Project risk and cash flow considerations make 50%–70% more common. LPO expects an equity contribution to make up at least a portion of the remaining project costs.



Program guidance for SEFI is included in the Title 17 guidance linked [here](#). Pages 22 to 25 are specific to SEFI, and much of the remaining document is relevant.



Projects can use LPO financing in combination with federal tax credits recently established, extended, or increased through the IRA. The table on the following page outlines specific SEFI use cases and the tax credits that can help support them.

“One thing we learned is that there are lots of options for stacking federal opportunities — you just have to be careful when tracking and managing different funding streams.”

State Green Bank

SEFI Use Case	Relevant Tax Credit	Tax Credit Description
Example 1: School solar energy projects	45Y: Clean Electricity Production Tax Credit OR 48E: Clean Electricity Investment Tax Credit	A technology-neutral tax credit for qualifying facilities producing clean electricity. Applicable beginning 2025.
		A technology-neutral tax credit for investment in qualifying facilities producing clean electricity. Applicable beginning 2025.
Example 2: VPPs <i>(can include clean vehicles, vehicle refueling and charging, rooftop solar, battery storage, heat pumps, and water heaters)</i>	45W: Credit for Qualified Commercial Clean Vehicles	A tax credit for purchasers of qualified commercial clean vehicles.
	30D: Clean Vehicle Credit	A tax credit for purchasers of clean vehicles for personal use.
	30C: Alternative Fuel Vehicle Refueling Property Credit	A tax credit for alternative fuel vehicle refueling property in low-income community and non-urban census tracts.
	25C: Energy Efficient Home Improvement Credit OR 25D: Residential Clean Energy Credit	A tax credit for energy-efficiency improvements of residential homes.
	45Y: Clean Electricity Production Tax Credit OR 48E: Clean Electricity Investment Tax Credit	A tax credit for the purchase of residential clean energy equipment, including battery storage with capacity of at least 3 kWh.
Example 3: Industrial retrofit	45Y: Clean Electricity Production Tax Credit OR 48E: Clean Electricity Investment Tax Credit	A technology-neutral tax credit for qualifying facilities producing clean electricity. Applicable beginning 2025.
	40A: Tax Credits for Biodiesel and Renewable Diesel	A technology-neutral tax credit for investment in qualifying facilities producing clean electricity. Applicable beginning 2025.
	45Z: Clean Fuel Production Credit	Tax credits for biodiesel and renewable diesel.
	40B: Sustainable Aviation Fuel Credit	A tax credit for the production of low-emissions transportation fuels (including sustainable aviation fuel). Applicable beginning 2025.
	45Q: Credit for Carbon Oxide Sequestration	A tax credit for the sale or use of sustainable aviation fuel (SAF) that achieves a lifecycle GHG emissions reduction of at least 50% compared with petroleum-based jet fuel.
45V: Clean Hydrogen Production Tax Credit	A tax credit that may be applied to carbon capture and sequestration projects.	
		A tax credit that may be applied to qualified clean hydrogen projects.

Example 4: District energy system Example 5: Residential building efficiency and electrification	179D: Energy Efficient Commercial Buildings Deduction	A tax deduction for energy efficiency improvements to commercial buildings such as improvements to interior lighting; heating, cooling, and ventilation; hot water; and building envelope.
	25C: Energy Efficient Home Improvement Credit	A tax credit for energy-efficiency improvements in residential homes.
	30C: Alternative Fuel Vehicle Refueling Property Credit	A tax credit for alternative fuel vehicle refueling and charging property in low-income and rural areas.
	25D: Residential Clean Energy Credit	A tax credit for the purchase of residential clean energy equipment, including battery storage with capacity of at least 3 kWh.
	45Y: Clean Electricity Production Tax Credit OR 48E: Clean Electricity Investment Tax Credit	A technology-neutral tax credit for qualifying facilities producing clean electricity. Applicable beginning 2025. A technology-neutral tax credit for investment in qualifying facilities producing clean electricity. Applicable beginning 2025.
Example 6: Fleet electrification	30C: Alternative Fuel Vehicle Refueling Property Credit	A tax credit for alternative fuel vehicle refueling property in low-income community and non-urban census tracts.
	45W: Credit for Qualified Commercial Clean Vehicles	A tax credit for purchasers of qualified commercial clean vehicles.

Overall, the SEFI program offers a can't-miss opportunity for states looking to drive economic development and play their part in the clean energy economy. States must concurrently ensure the following for successful deployment:

- 1. Identify potential projects and decide whether to play an investment role for large projects or a borrower role for small projects.**
- 2. Identify potential state energy financing institutions.**
- 3. Provide meaningful financial support through an eligible SEFI to selected projects.**

RMI's Guidance for States

The process that state entities can follow to create a SEFI program, along with a few considerations, is outlined below. This guidance was informed by RMI's subject matter experts, state staff that have developed their own SEFI program, and conversations with/public briefings from LPO officials.

LPO is looking forward to speaking with potential applications at any stage of the process — feel free to reach out to their engagement team.

Identify potential projects and decide whether to play an investment role for large projects or a borrower role for small projects.

- Current LPO guidance states that LPO wants to see eligible projects that are likely to apply for SEFI financing **before** they determine whether a state entity qualifies as a SEFI.ⁱⁱ Thus, states should begin by building a list of potential projects to pull through the program if it is established. As mentioned above, these can be large (>\$150 million) decarbonization projects or a bundle of small projects totaling >\$150 million with a reasonable prospect of repayment — within those criteria, they can span a wide range of technologies and sectors. A few places to start searching for leads are listed below:

1. Issue an RFI/RFP/RFQ to solicit interest from project developers and collect input on the SEFI program design. See the Center for Public Enterprise model RFI [here](#).

“We put out a simple two-page ask for information, rather than a long RFP requiring lots of legal oversight, which streamlined our process.”

State Green Bank

2. Review EPA's [FLIGHT Database](#) to identify the 10 most polluting facilities in the state.
 - Depending on the state's grid mix, most of these facilities are likely to be power plants. Anytime a potential project is on an existing energy facility, it is likely to be a better fit for LPO's EIR program than the SEFI program — see RMI's *Emerging Playbook for EIR* [here](#).
 - Other top emitting facilities might include high-heat industrial manufacturing plants such as cement, aluminum, and steel. These facilities are ripe for efficiency upgrades and industrial heat pump installations, all of which are eligible for SEFI financing as well as stackable tax credits. RMI's [Mission Possible Partnership](#) contains sector-by-sector roadmaps for reducing pollution from these heavy industries.

ⁱⁱ LPO has approved several SEFIs as eligible throughout the country, including but not limited to those listed within LPO's [SEFI Toolkit](#).

- Landfills can also be responsible for releasing large amounts of methane and air pollution. SEFI can be used to finance operational improvements, lower permeability covers, and advanced landfill gas collection systems, **among other strategies**.
3. Identify the largest private and public fleet in the state and explore the potential to electrify fleet vehicles and install high-speed charging in depots. To distribute the benefits further, charging could be made available to the public during the day.
 4. Work with the EDO to pitch EV manufacturers on locating production facilities within the state. Explore the potential for retooling any existing manufacturing facilities that are slated to close and repurposing them for EV parts or critical minerals refining.
 5. Discuss campus-wide energy efficiency, electrification, and on-site renewables packages with public universities or community colleges, healthcare facilities, and/or municipal buildings, many of which have set binding climate targets.
 6. Convene energy service companies to identify opportunities for aggregating weatherization retrofits for public schools, commercial buildings, and moderate-income multifamily housing across the state, creating an investment bundle that meets the >\$150 million threshold. Due to Davis Bacon requirements and the stackability of various federal incentives, it is more advantageous for low-income residential projects to take advantage of other federal programs — SEFI capital starts becoming worthwhile for 80%–120% average median income (AMI) projects.

“Not every company wants a \$100 million loan — if our green bank borrows \$200–\$300 million directly from LPO over 25 years, we can deploy that capital in 5–10 year chunks, rotating capital to mitigate the risk of negative carry. We might even have extra yield.”

State Green Bank

7. Review RMI’s **Clean Growth Tool** to identify the highest feasibility clean energy industries within your state based on existing workforce and related industry capabilities. High-feasibility industries are more likely to be the foundations of future cluster development and medium-term economic development.
- As an outcome of this outreach process, the state should generate a detailed list of all potentially eligible projects and timelines. This list will be useful to review with LPO — even if projects are not eligible for SEFI, they may fit well with another federal financing opportunity. It is always best to directly connect with LPO about the best-suited program for each project.
 - Not all opportunities submitted through the call for projects will align with the state’s goals for the SEFI program. One of the most exciting aspects of this program for state decision makers is that they have the power to control the projects eligible for federal financing via their meaningful support. As such, state officials can review the list of potential projects and select those that meet a certain set of criteria. This may include alignment with existing state climate and air pollution reduction goals,

in-state economic development goals and requirements (e.g., local hiring, prevailing wages, and apprenticeships), projects sited in specific communities or regions, overall project readiness, and other criteria.

- The state may also find it useful to play a convening role in driving these projects forward. When focused on a specific use case (e.g., solar on schools, VPP deployment, or industrial decarbonization), convenings effectively generate interest in the economic opportunity, align stakeholders around a shared vision, provide LPO application best practices, identify opportunities to streamline regulatory or permitting pathways for eligible projects, and assign roles and responsibilities to shorten/maintain the project timeline. Depending on the use case, possible attendees might include electric utilities and power system operators, fleet operators, industrial operators, renewable developers, VPP providers, and other financing entities.
- Once potential projects are identified, state staff should engage with LPO (if they have not already) and encourage the private project sponsor to **request a pre-application consultation** with LPO.

Identify potential state energy financing institutions.

- As mentioned above, LPO has stated that it is unlikely to certify a SEFI without a potential project pipeline or projects that express interest in receiving SEFI financing. Once these projects are vetted by LPO, they must receive meaningful financial support from the LPO-approved SEFI within the state. Many states will have several entities that could qualify as SEFIs, including state green banks, housing finance agencies, economic development authorities, and SEOs. They can *all* be SEFIs insofar as they can provide meaningful support, so long as they are established within the state to provide financing support, credit enhancements, and/or otherwise take steps to reduce financial barriers to the deployment of existing and new eligible energy projects. For example, Massachusetts has three different LPO-approved SEFIs, all with different financing capabilities and sectoral focus. In these cases, centralized state agencies should encourage them to work together to support a statewide project pipeline.

“We would do things differently now — I recommend that you talk to other states that are further ahead in the process, plan to meet with LPO at least once a week, and ask every single question that comes to mind.”

State Green Bank

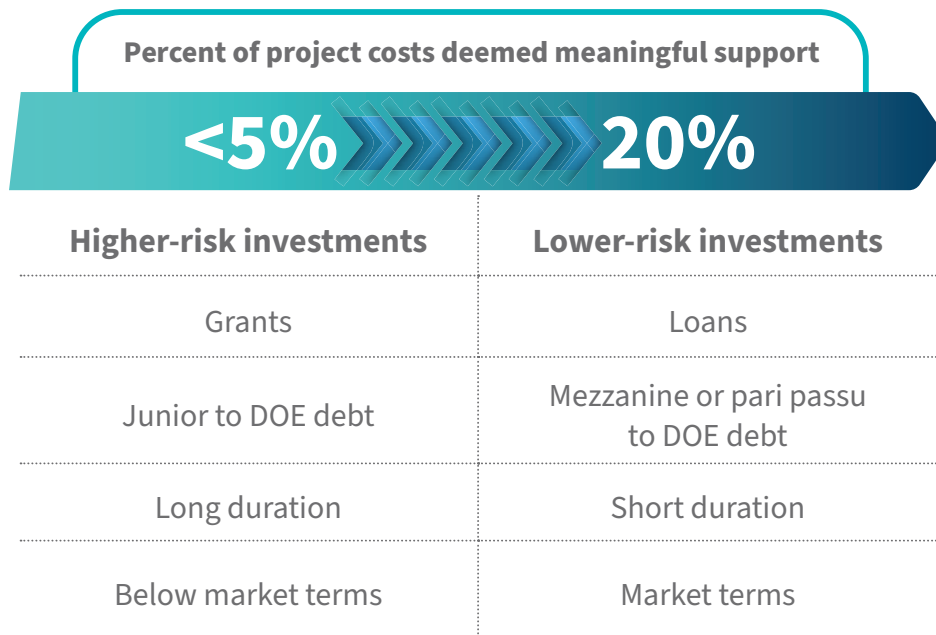
- State actors can identify potential SEFIs by reading through statutory language and references to confirm that the entity is both (a) under the jurisdiction of a state agency or financing authority established by a state and (b) established to provide financing support to existing and new eligible projects.
- States may choose one entity to serve as their SEFI or assemble multiple entities into a SEFI-designated committee that will review and coordinate applications across state agencies, pulling together pools of funding from various buckets. For example, an SEO may want to work closely with an EDO to drive clean energy deployment that meets both climate and economic development

targets and draw funds from both offices, as is established in **Michigan**. States without the capacity to run their own SEFI program can also sign agreements with external organizations to coordinate and disburse meaningful support rather than creating a new state instrumentality. For example, a state Department of Commerce could directly instruct a nonprofit green bank to administer its grants or concessional loans and still qualify as a SEFI.

- Once the state has identified a potential SEFI or SEFIs, they should reach out to the LPO State Outreach team for eligibility review along with the list of potential projects via SEFI@hq.doe.gov.

Provide meaningful financial support through an eligible SEFI to selected projects.

- Assuming LPO has determined that the state’s SEFI is qualified and that the potential projects align with the SEFI mandate, the state must decide what type of “meaningful financial support” it will provide to each project on a case-by-case basis. Alternatively, this might be established while courting project developers or, if the state wants to set clear expectations about the type of support they can provide, at the outset of the program.
- LPO provides guidance on what does and does not qualify under the definition of “meaningful financial support” and allows states significant flexibility in what they choose to provide. Preliminary accounts from states with established SEFI programs seem to indicate that support representing as little as 1%–5% of the project costs can meet the threshold, although this varies substantially by project. The required percentage fluctuates with risk — the more risk a state takes on with its investment, the less capital it is expected to invest.



“The process of standing up our SEFI has been long, but LPO has been very flexible.”

State Green Bank

- Depending on the size of the projects pursuing financing, the amount of capital required to meet the “meaningful support” threshold might be an issue for small states with less investment available. Some states, such as Connecticut, are exploring the opportunity to pool funds across multiple green banks within a region and then work with nationwide companies to deploy projects in those states. Notably, “meaningful support” does not have to come exclusively or originally from the SEFI so long as the SEFI eventually distributes it.
- Loans should be used for advanced technologies with guaranteed returns, while grants can be used for risky projects in which the state has aligned interest, where the state budget allows. Loan guarantees can be used for profitable companies with a strong operating history. As LPO financing can only be used for senior debt, SEFI loans should focus on the more flexible “mezzanine” funding. However, LPO advises that the support must last throughout the projects’ useful life to be considered meaningful. For example, bridge loans can serve as a critical holdover for project teams that anticipate tax credits but do not receive them immediately. However, they must be paired with a refinancing option.
- LPO indicates that the state should provide at-risk capital for their meaningful support. Many tax credits do not involve the prospect of the state losing money and are instead credits against future income taxes paid. Thus, the state does not lose tax receipts if the project does not materialize. Therefore, only tax credits where the state is at risk of losing appropriated funds are potentially eligible as SEFI support.

Conclusion

Unlike some federal opportunities created through the IRA (e.g., tax credits, GGRF), states will not benefit from the new SEFI program without taking intentional action. Once they do, they will unlock billions of dollars in federal and private capital that can flow into their local economies, creating thousands of new jobs and ensuring regional competitiveness while reducing climate pollution. It is also an opportunity for states to direct where and how federal funds are used.

Reach out to LPO's **State Outreach and Business Development** team and/or Molly Freed with RMI's State team (mfreed@rmi.org) to discuss next steps!

RMI values collaboration and aims to accelerate the energy transition through sharing knowledge and insights. We therefore allow interested parties to reference, share, and cite our work through the Creative Commons CC BY-SA 4.0 license. <https://creativecommons.org/licenses/by-sa/4.0/>.



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