



IMPLEMENTATION GUIDANCE FOR STATES:

GREENHOUSE GAS REDUCTION FUND

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The Inflation Reduction Act (IRA) provides funding for the creation of the Greenhouse Gas Reduction Fund (GGRF)—\$27 billion is provided to the EPA to drive low-cost, accessible financing into building a clean energy economy. This program builds on the success of state and local green banks, but the statute offers the EPA the flexibility to invest in a diversified portfolio of programs and financing institutions to create an ecosystem of green, equitable finance that will support a just, inclusive, and thriving clean energy future.

The majority of the funding is designed to support projects in disadvantaged communities. If implemented effectively, the GGRF will dramatically increase the financial support available for projects that lower costs for energy-burdened residents, reduce pollution in environmental justice communities, and grant low-income Americans access to the far-reaching benefits of a cleaner economy. Out of all the programs in the IRA, the GGRF provides the single largest investment in disadvantaged and low-income communities, and will therefore be instrumental in helping states reach their climate and equity goals.

According to initial program guidance, the EPA has outlined three core objectives for the GGRF:

1. Reducing Greenhouse Gas Emissions and air pollution more broadly
2. Delivering benefits to disadvantaged communities
3. Mobilizing private capital and finance

This guide summarizes the program and details how state policymakers might go about securing and deploying GGRF funds. The EPA says it may make up to 75 awards under the program.

Program Details

The \$27 billion from the GHGRF will be awarded to eligible entities competitively. The [provision](#) creates two distinct funding sources across two programs, as outlined in the table below.

Exhibit 1. GHGRF Funding Breakdown (\$27 billion total)

Program	Zero Emission Technologies Program (ZETP)	General Assistance and Low-Income and Disadvantaged Communities Grant Program
Funding	\$7 billion	\$19.97 billion
Eligible Recipients	States, municipalities, Tribal governments, and eligible nonprofits	Eligible nonprofits
Purpose	Provide grants, loans, and other kinds of financial and technical assistance to enable low-income and disadvantaged communities to deploy zero-emission technologies and other GHG-reducing activities.	Use a range of financial tools and technical assistance to support projects that reduce GHG emissions and other forms of air pollution, with forty percent of funds reserved for investments in disadvantaged communities.

Additional details can be found in the legislative text, [Section 60103](#).

Zero-Emissions Technologies Program (\$7 billion)

States will be key eligible recipients of the [\\$7B Zero-Emissions Technologies Program](#). Because the funding in the Clean Energy Financing Program is available to eligible nonprofit entities, state governments should aggressively seek ZETP funds to bolster their work to reduce climate pollution. EPA plans to use this competition to support the deployment of “residential and community solar, associated energy storage technologies, and related upgrades,” in disadvantaged communities. The EPA expects the ZETP may support up to 60 discreet awards. A notice of funding opportunity is not expected until early summer, but states can start to plan their applications now, including with funding applications that could support:

- State community solar programs;
- State rebate or tax incentive programs incentivizing consumer or business adoption of solar and energy storage technologies;
- State and local clean energy finance institutions and grant programs that invest in residential and community solar, energy storage, and related building efficiency and electrification upgrades;
- State affordable housing programs that develop a plan to deploy solar, storage and enabling technologies;
- State departments of education and school districts that want to put solar on schools;
- State/local/Tribal/community programs that provide community education and technical assistance about solar, storage, and related upgrades.

General Assistance and Low-Income and Disadvantaged Communities Grant Program (\$19.97 billion)

The GGRF also provides [\\$19.97 billion to non-profit financial institutions that can rapidly deploy green finance](#). No less than \$8 billion, or 40 percent, of this overall \$20 billion program must support projects in disadvantaged communities. The EPA plans to make between 2 and 15 awards under this program. Potential direct or indirect recipients of the General Assistance and Low-Income and Disadvantaged Communities Grant Program could include:

- New and existing state, regional, and local [green banks](#) and other non-profit clean energy investment funds;
- One or more national green banks or green finance networks that can provide sustained, recycled, directed green finance for projects throughout the U.S.;
- A series of Regional Clean Energy Accelerators that, in following similar policy proposals around a national infrastructure bank over the past decade, could act as both a direct financier and an intermediary with a national entity to deliver sustainable and equitable finance to communities; and
- Local Community Development Finance Institutions (CDFIs) and Community Development Credit Unions (CDCUs) that demonstrate a plan to deploy investment in climate pollution reductions.

Grant recipients can then distribute these funds to assist communities in efforts to reduce both GHG emissions and other forms of air pollution. Funds may be distributed through:

- Direct investment in qualified projects using grants, loans, and other financial tools, prioritizing investment in projects that would otherwise lack access to financing. Under these circumstances, all loan repayments, interest, and other revenue must be recycled to ensure further operability.
- Indirect investment to establish or support other existing public, quasi-public, not-for-profit, or non-profit entities that provide support for the same qualified projects.

Eligibility

Non-profit organizations that are designed to provide capital, and leverage private capital, to deploy low- and zero-emission products, technologies, and services are eligible to receive grants from either GGRF program. To qualify, the nonprofit organization must be funded by public or charitable contributions and must not accept deposits. States, municipalities, and Tribal governments are only eligible to directly receive up to \$7 billion through the Zero Emission Technology Program.

Implementation Recommendations for States

Zero Emission Technologies Program

To maximize equitable climate and clean energy investment with the ZETP, states should:

- **Identify residential and community solar, energy storage and related projects that unlock additional federal funds and private sector investment.** States should consider how federal investments available from the IRA (such as Climate Pollution Reduction Grants, and from other sources including the Infrastructure Investment & Jobs Act, the CHIPS and Science Act, the American Rescue Plan, state matching dollars, private sector investment, etc.) fit into the state's equitable decarbonization strategy. The ZETP could be used to fill any gaps not already addressed with other funding sources. Additionally, each state has its own barriers to catalyzing additional private investment.
- **Consider capacity needs.** In order to successfully deploy zero-emission technologies at scale, states should consider what secondary initiatives will be required to deploy funds, including community engagement, project management, monitoring and evaluation, and workforce needs. Ideally, EPA will design the ZETP flexibly to allow for federal resources to cover some of these expenses.
- **Prioritize underserved communities** most impacted by pollution, identified via equity-based screening tools. States should deploy equity maps (their own or the federal Climate and Economic Justice Screening Tool) to identify communities with acute vulnerabilities to climate change, pollution burdens, energy access disparities, exposure to legacy pollution from toxins and waste facilities, and workforce development barriers.

Clean Energy Financing Program

To secure resources for their communities from the \$20 billion Clean Energy Financing Program, states should:

- **Assess and prioritize collaborations with eligible entities and consider incubating new institutions.** States are not eligible to directly receive Clean Energy Financing Program funding, however nonprofit state green banks and other nonprofit organizations are eligible. States without an established green bank may want to assess the feasibility of launching one to coordinate with existing eligible recipients. Alternatively, states should consider collaborating with other eligible recipients with significant community lending experience to successfully secure and deploy funds.
- **Assess community and technical assistance needs** to successfully build up clean energy finance ecosystems in each state. Many of the projects most in need of public financing do not yet have the capacity or technical expertise to take advantage of loans, especially in low-income communities. States should work with both their own communities and the EPA to facilitate the capacity building, technical assistance, and community engagement that will be necessary to allow communities to take full advantage of clean energy financing.
- **State green banks applying for funds should be prepared to generate a concrete investment plan** that demonstrates a track record and expertise in both clean energy finance and in project delivery for low-income and disadvantaged communities. New or small green banks should consider partnerships with existing lenders to build the skills and capacity to scale.
- **Work with existing lending organizations** like CDCUs and CDFIs, especially those who have a track record of working with disadvantaged communities. Trusted organizations with established networks will be able to more effectively reach the people who need the funding most. However, states should work to support applications from, and collaborate with, those institutions best equipped to demonstrate professional governance and oversight structures. Most existing CDCUs and CDFIs don't have experience organizing qualified contractors or assessing worthwhile clean energy investments and thus should consider partnerships to provide technical expertise or assistance.
- **Reduce the burden of accessing financing** by working with state green banks and other eligible entities applying for GGRF to establish user-friendly and accessible electronic interfaces to access financing. Lowering or removing barriers may help boost the federal funding applications of eligible recipients.
- **Collaborate with applying entities to ensure state policy goals are reflected in planned investment strategies.** For example, green banks need to coordinate their investment strategies with the applicable state agencies and officials, such as those state policymakers with particular expertise in workforce development strategies and in advancing environmental justice.
- **Focus on local projects**, such as residential electrification or solar systems for local nonprofits, small businesses, and houses of worship. Highly localized investments will bring benefits that are visible to community members.
- **Focus on community ownership and wealth building.** Tax credits in the IRA have made producing clean energy more profitable than it has ever been. GGRF financing can support local projects that allow disadvantaged communities to be suppliers of clean energy, granting them access to the IRA's financial incentives and enabling ownership over projects that will benefit their communities.
- **Ensure that financing flows to projects that would otherwise lack funding.** The program is designed to fill gaps in markets that are undeveloped or lack access to capital. Applicants should demonstrate a clear need for financing, ensuring that GGRF financing does not flow to robust markets where mature technologies already have adequate access to public and/or private capital.

Existing State Green Bank Success Stories

There are [currently](#) 23 green banks operating across 17 states in the U.S. that are designed to provide targeted investment in clean energy technologies that benefit disadvantaged and low-moderate income communities. In 2020 alone, green banks [mobilized](#) \$1.69 billion in total investment in climate and clean energy projects with \$442 million in funds. GGRF grants can be deployed to build on these [successes](#) and create or support similar green financial institutions.

In 2011, the Connecticut state legislature created the [Connecticut Green Bank](#), which has since leveraged \$288 million to attract \$1.85 billion in private investment, generating over \$7 for every public dollar spent. As part of a recent project, the green bank [provided](#) \$5 million in loan facilities to [Budderfly](#), a local company that helps businesses achieve energy and cost savings. With support from the state green bank, Budderfly has generated over \$100 million to grow its business and help its customers realize gains in energy efficiency that are estimated to avert 950,000 metric tons of carbon pollution, equivalent to the annual emissions of 210,000 gas-powered vehicles.

In May 2022, [DC Green Bank](#) entered into a [\\$7 million loan agreement](#) with [PosiGen](#) to accelerate the deployment of residential solar in low-to-moderate income areas. The deal is projected to unlock funding for 3,000 kW of solar capacity on 320 homes across the city. Together, these projects will lower electricity costs for low-income residents, create hundreds of good jobs, and avoid over 2,500 tons of carbon pollution annually.

In November of 2021, the [New York Green Bank](#) provided a [\\$2.6 million pre-development loan](#) to assist in the construction of an all-electric multifamily building, complete with solar panels, that will provide 140 units of housing to low-income residents. This project is estimated to reduce carbon pollution by nearly 15,000 tons over the building's lifetime.

Implementation Timeline

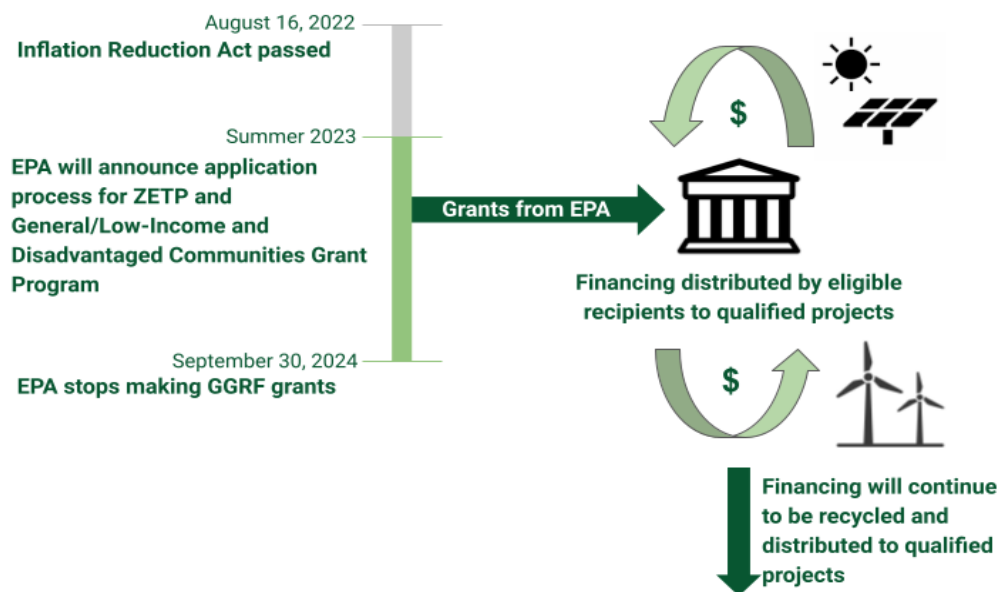


Exhibit 2. Timeline for program implementation

The GHGRF invests billions in climate and clean energy projects and aims to attract much more in private sector funding. The majority of this financing will be deployed in disadvantaged communities, and prioritize projects that would otherwise lack access to funding. EPA is expected to begin making grants in February 2023 and state leaders should be prepared to take advantage of this unprecedented opportunity.

Additional Resources

[Legislative Text: Section 60103 of the Inflation Reduction Act of 2022](#)

[Request for Information: Greenhouse Gas Reduction Fund \(RFI GHGRF\)](#)

[Public comments to Environmental Financial Advisory Board \(EFAB\) on GHGRF](#)

[The Greenhouse Gas Reduction Fund Can Accelerate an Equitable Energy Transition - Center for American Progress](#)