

FEDERAL FUNDING LEARNING SERIES PART 6

HOW YOU CAN AFFORD TO ADVANCE CLIMATE ACTION AND STRATEGICALLY PLAN FOR FEDERAL FUNDING AND INCENTIVES

November 15, 2023

Introductions



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Today's Agenda

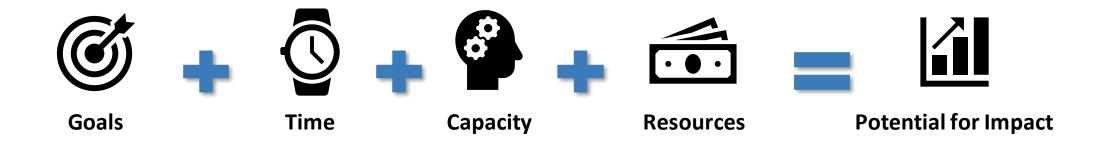


Poll Questions

Funding Tool & Funding Guidance Updates: Introducing "AFFORD"

Poll Questions

Maximize your potential for impact by using limited capacity and energy to pursue resources where they're needed most



Bottom Line: Our goals, time, and capacity have not changed significantly, but resources available to local governments, businesses and non-profit organizations have increased <u>a lot</u>. The **AFFORD** tool, *America's* Federal Funding **O**pportunities and **R**esources for **D**ecarbonization, can accelerate state and local decarbonization efforts

Primary Use Cases:

- Identify and compare federal funding opportunities for specific local projects
- Assist non-profit entities and their partners strategically prioritize applications
- Align funding sources with overarching decarbonization and equity considerations to advance climate action, sustainability, and resilience plans

Secondary Use Cases:

- Increase alignment and awareness between climate, energy, and resiliency officers of federal funding opportunities and planning/grants officers (or consultants)
- Embrace federal efforts to centralize climate change, environmental justice, and equity in new projects

Built upon FFOLD, *AFFORD* is packed with more IRA incentives and tailored for local governments AND a broader audience

The tool has 80 new program additions

• This includes 24 tax credits and deductions

The range of eligible applicant types has been expanded to include:

- Municipal utility/co-op
- Cultural institution/faith group (tax-exempt)
- Health care institution (tax-exempt)
- University/college (tax-exempt)

The complimentary "Funding Guidance" has the following new or improved sections:

- Prepare for grant applications
- What to expect when you are expecting (to apply)
- Stacking & leveraging resources
- Prevailing wage and apprenticeship requirements

AFFORD's new introduction page is designed to provide a more user-friendly experience, making navigation easier and more intuitive for those experienced and new to federal funding



Navigating hundreds of federal funding opportunities can be overwhelming. Our funding tool, America's Federal Funding Opportunities and Resources for Decarbonization (AFFORD), is designed to help you identify, compare, and prioritize federal funding, tax credits, and other incentives. This tool is primarily intended to streamline public, non-profit, and community efforts to increase understanding of eligible funding and incentives that are relevant to your project, goals, and community.

To get started, complete the 4 questions below so we can help you find the programs most relevant to you.

Let's explore!

Skip Questions & Go Directly to the Tool

1/4 Are you new to applying for federal funding?

Yes

Welcome! Before you explore this tool, we recommend you check out our Funding Guidance to learn about funding basics and related strategies.

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2/4 Tell us about yourself.

Local Government	Local	Government
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Thanks! What types of Local Government projects are you interested in?

3/4 Select one or more project types.

Brightfields Building) Efficiency Re	trofits Bu	ilding Electri	ification	Building Weatherization
Carbon Capture & Stora	age (CCS)	Clean Fuels	Clean Ma	anufacturi	ng & Supply Chain
Community Resiliency	Disaster Re	ecovery E	lectric Grid l	Jpgrades	
Electric Vehicles/Charging	ng Equipmen	t Energy	Storage	Environme	ental Justice
Nature-Based Solutions	Public Tra	nsit Rene	ewable Energ	gy Ret	aining & Building Capacity
Smart Growth Work	force Develop	ment			
4/4 Finally, what types of fu	inding are you i	nterested in?			
Grant - Competitive/Dis	scretionary	Grant - For	mula/Block	Loan	Revolving Loan
Technical Assistance	Tax Credits/[Deductions	Other Ince	entive	
Continue to Tool					

funding opportunities are overwhelming, but AFFORD offers streamlined and enhanced filters, a new search bar, and a sorting function to help you quickly focus on what is most relevant to you

PPLICANT TYPE		PROJECT TYPE		PROJECT PHASES	FUNDING TYPE	
Local Government (62)	×	Building Electrification (25)	×	•	Grant - Competiti	ve/Discretionary (52) ×
	+	Building Weatherization (29)	×		Grant - Formula/	Block (7) ×
		Workforce Development (39)	×		Technical Assistan	nce (10) ×
			+		Tax Credits/Deduc	ctions (1) ×
						+
				<	Displaying 62 out of 2	248 Funding Opportunit
PROGRAM NAME 👻	PURPOSE		ELIGIBILITY REQ	UIREMENTS	MAX AWARD	DEADLINE 👻

Share This Comparison d

Community Change Grants Program

To support partnerships of community-based

organizations (CBOs) to implement pollution

reduction, workforce development, and

Purpose

Compare Programs

Climate Ready Workforce for Coastal States,

To assist communities in coastal and Great Lakes

partnerships that train workers and place them

Tribes, and Territories Competition

states and territories so they may form

Purpose

AFFORD's latest Compare & Share function allows you to more easily focus on programs of interest and efficiently share those with your toom and other partners

team a	nd other partne	ers		CPRG planning grant.	into jobs that enhance climate resilience.	community engagement projects.
				Federal Agency Environmental Protection Agency (EPA)	Federal Agency Department of Commerce	Federal Agency Environmental Protection Agency (EPA)
				Deadline April 1, 2024 (general); May 1, 2024 (Tribes and territories)	Deadline November 30, 2023 (Letter of Intent); February 13, 2024 (Full Application)	Deadline NOFO expected in Fall 2023; applications will be open on a rolling basis for one year
				Funding Available \$4,300,000,000 for general competition; \$300,000,000 for Tribes and territories	Funding Available \$50,000,000	Funding Available \$2,000,000,000
Compare				Eligibility Requirements Only entities that directly received a CPRG planning grant are eligible to apply for an implementation grant.	Eligibility Requirements This opportunity is open to state, tribal, territorial and local governments, institutions of higher education, and non-profit organizations in coastal states or territories.	Eligibility Requirements Partnerships of two or more CBOs, or a CBO plus a local government, Federally-recognized Tribe, o higher education institution is eligible to apply.
	To assist communities in coastal and Great Lakes states and territories so they may form partnerships that train workers and place them into jobs that enhance climate resilience.			Maximum Award Amount \$500,000,000 for general competition; \$25,000,000 for Tribes and territories	Maximum Award Amount \$10,000,000	Maximum Award Amount \$3,000,000
Competition Compare				Expected Allocations 115 for general competition; 100 for Tribes and territories	Expected Allocations 10-20	Expected Allocations TBA
	To support partnerships of community-based organizations (CBOs) to implement pollution reduction, workforce development, and			Average Award (Estimated) \$37,400,000 for general competition; \$3,000,000 for Tribes and territories	Average Award (Estimated) \$3,333,333	Average Award (Estimated) Mostly \$10-20 million, with some \$1-3 million grants for community engagement
Compare	community engagement projects.	to apply.	_	Matching Funds Not required	Matching Funds Not required	Matching Funds TBA

Back to Results

Implementation

Purpose

Climate Pollution Reduction Grants (CPRG) -

To implement GHG reduction programs, policies,

projects, and measures identified in a Priority

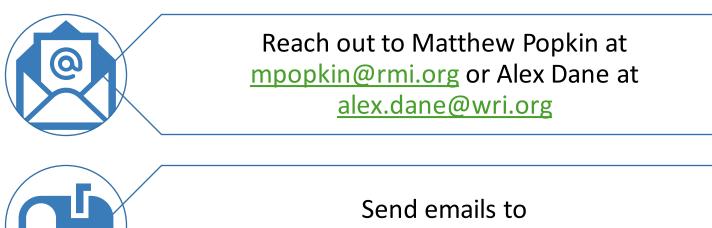
Climate Action Plan (PCAP) developed under a

The Funding Guidance walks you through what you need to know and do to prepare effectively for federal opportunities

Funding Guidance	Funding Guidance	Funding Guidance	Funding Guidance	
Overview	Overview	Overview	Overview	
Introduction	Introduction	Introduction	Introduction	
Acknowledgments	Acknowledgments	Acknowledgments	Acknowledgments	
Developing A Strategy	Developing A Strategy 💮	Developing A Strategy ④	Developing A Strategy	Ð
Identify Funding for Your Priorities	Understanding Available Funding $_{\bigcirc}$	Understanding Available Funding 🛛 🕀	Understanding Available Funding	۲
Prepare for Grant Applications	Types of Federal Assistance			
Shortlist Programs of Interest	Federal Funding Learning Series	Understanding Available Incentives $_{\bigcirc}$	Understanding Available Incentives	Ð
Create a Project "Pitch" to Get Buy- In	Community Project Funding for Local Climate Action	Tax Credits for Renewable Energy Direct Pay for Tax-Exempt Entities	Justice40 and Equity Considerations	Θ
Develop an Outline for the Grant Application Before the		Leveraging Energy Transition	J40 Guidance by Agency	
Announcement	Understanding Available Incentives ③	"Adders"	Overall Principles for Energy	
What to Expect When You're	Justice40 and Equity Considerations ④	Prevailing Wage and Apprenticeship	Justice	
Expecting (to Apply)	Justice40 and Equity Considerations ④	Requirements	Clean Mobility and Transportation	
Stacking & Leveraging Resources			Building Electrification	

Feedback welcome!

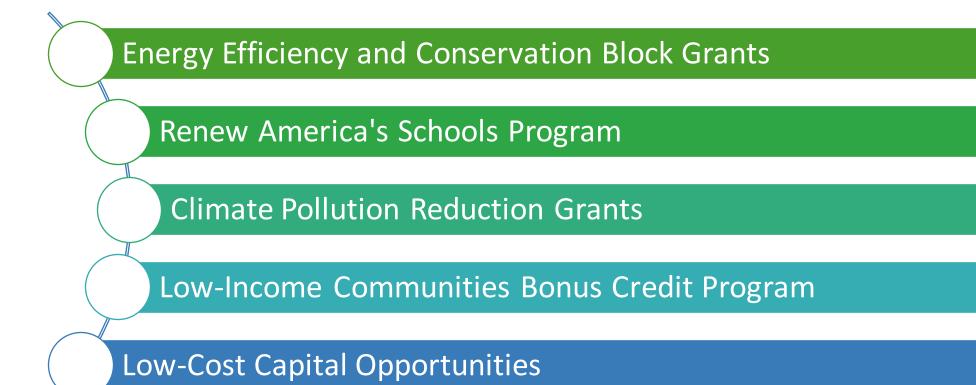
Your ideas, suggestions, and user experiences matter to us. Let us know what's working well and how we can enhance this further!



cityrenewablesaccelerator@rmi.org

Spotlight on Near-Term Opportunities

The following 5 programs offer new and familiar mechanisms to advance local and community climate action



The US DOE's Energy Efficiency & Conservation Block Grants Program (EECBG) is both familiar and increasingly flexible, with a wider list of eligible uses and a new technical assistance option

What It Is:

- Distributes formula funding to states, local governments, and tribes to implement strategies to reduce emissions and energy use
- Funds a wide array of efficiency retrofits, renewable energy installations, and innovative energy financing strategies

What's New:

- As an alternative to traditional grants, DOE will providing Local and Tribal governments with the option to apply for vouchers to receive technical assistance and/or equipment rebates
- Vouchers provide a streamlined application process with fewer administrative requirements and allow eligible recipients to take advantage of customized technical expertise or get reimbursed for eligible equipment

Important Dates:

• Full applications are due by April 30, 2024 (cities and towns that do not receive direct formula funding must apply to the state)

The US DOE's Renew America's Schools Program helps upgrade our energy infrastructure, with priority given to schools with renovation and repair needs

What It Is:

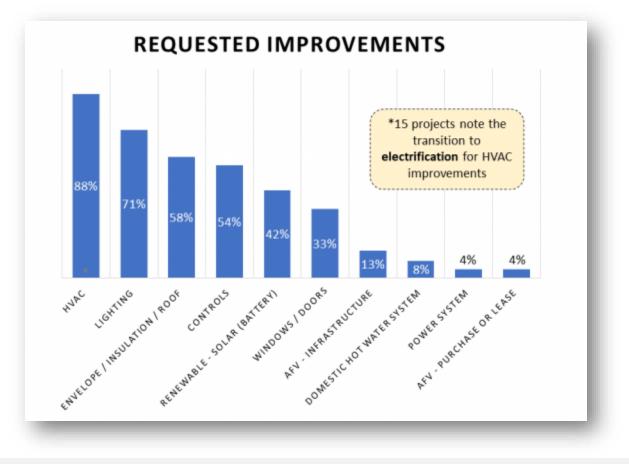
 New grant program to support nonprofit, for-profit, and community organizations making efficiency, renewable energy, or alternative fuel vehicle improvements

What's New:

 The program, which launched in 2022, has announced ~\$178M across 24 awards for its first round – an average award of ~\$7.5M

Important Dates:

• DOE anticipates releasing a second round of funding in Spring 2024



US EPA's Climate Pollution Reduction Grants offer a single opportunity to significantly advance equitable climate action

What It Is:

• Designed to implement ambitious measures that will achieve significant cumulative GHG reductions by 2030 and beyond and achieve substantial community benefits

What's New:

- EPA expects 115 awards for general competition and 100 awards for Tribes and territories, with an average award estimated at \$37,400,000 for the general competition and \$3,000,000 for Tribes and territories
- Any state, local government, tribe, or territory can apply for an implementation, but the application must align with the preliminary climate action plan created by a state or lead planning organization

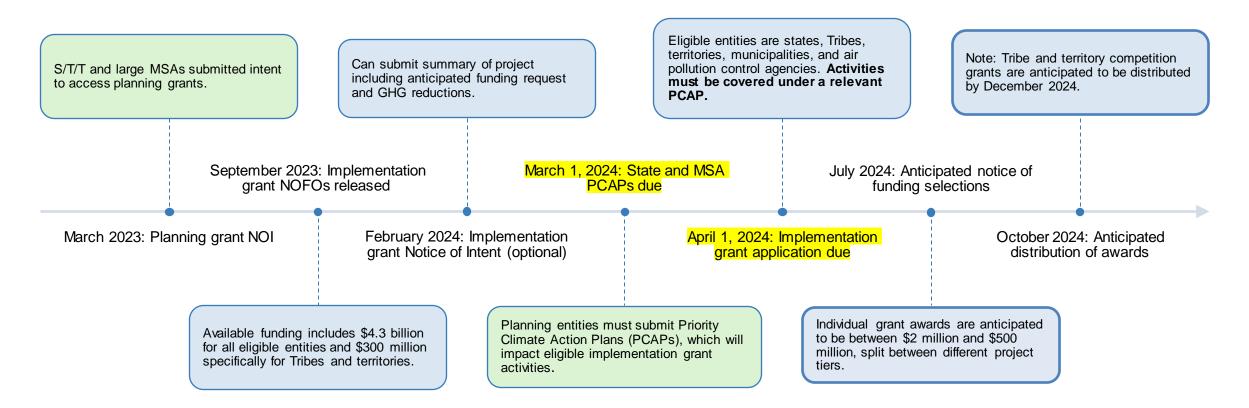
Important Dates:

• Full applications are due April 1, 2024 (general) and May 1, 2024 (Tribes and territories)



ALL of the \$4.6 billion reserved for implementation grants is planned to be distributed in one round

Engage now with your state and/or your MSA lead organization's Priority Climate Action Plan (PCAP) Process!



*Dates given for General Competition open to all eligible entities. Dates for Tribal and territories only competition are generally one month later.

*Green: part of planning grants process. Blue: part of implementation grants process

The first-ever Low-Income Communities Bonus Credit Program for renewable energy tax credits (48(e)) opened this fall

What It Is:

- Tax credit adder (10-20% of eligible capital costs) for up to 1.8 GW of total nameplate capacity of eligible wind and solar projects
- Program has further subdivisions based on category (see chart on right)

Important Dates:

- First application round is due November 18, 2023 to US DOE, who will determine allocations
- Applications submitted within the first 30 days (by November 18, 2023) will be treated as being made on the same date and time
- Transitions to rolling applications into early 2024

Category	Qualification	Capacity Allocation
1: Low- Income Community	Being sited within a "low- income" census tract as defined by the New Markets Tax Credit	700 MW
2: Tribes	Being sited on "Indian land"	200 MW
3: Covered Housing Program	Being associated with a building that is part of a covered housing program	200 MW
4: Economic Benefit Project	Distributing at least 50% of the benefits from the project to low-income households	700 MW

Identify Existing and Future Projects Eligible for IRA Incentives: New IRA Bonus Mapper Tool

IRA Eligibility Enhancements (beta)

<u>< return</u>

East Chicago, Indiana, United States

Energy Community*: Yes

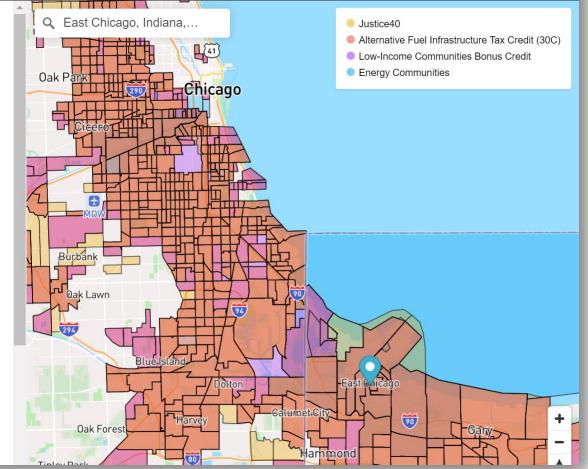
Low Income Communities Bonus Credit Program[†]:

- Yes
 - Prioritized due to CEJST Energy Burden

Alternative Fuel Infrastructure Tax Credit[‡]: Yes

Justice 40: Yes

- Identified as disadvantaged for Justice 40:
- \geq 90th percentile for diabetes and is low income
- \geq 90th percentile for asthma and is low income
- ≥ 90th percentile for households at or below 100% federal poverty level and has low HS attainment
- ≥ 90th percentile for low median household income as a percent of area median income and has low HS attainment
- ≥ 90th percentile for unemployment and has low HS attainment
- \geq 90th percentile for energy burden
- ≥ 90th percentile for RMP proximity
- ≥ 90th percentile for NPL (superfund sites) proximity
- ≥ 90th percentile for proximity to hazardous waste sites
- ≥ 90th percentile for heart disease
- ≥ 90th percentile for low life expectancy
- · Is low income (imputed and adjusted)
- ≥ 90th percentile for share of properties at risk of flood



Overview of enhancements

A large amount of low-cost capital has already been released, but even more is coming soon through the Greenhouse Gas Reduction Fund

National Clean Investment Fund

- \$14 billion in grants to fund 2-3 national nonprofit clean technology financiers
- Grantees will provide financial products and support predevelopment expenditures for qualified projects

Solar For All

- \$7 billion in grants to eligible governmental entities and non-profits
- To expand distributed solar in low-income and disadvantaged communities across the U.S.

Clean Communities Investment Accelerator

- \$6 billion in grants to 2-7 hub nonprofits to deliver funding and technical assistance
- Designed to build the clean energy financing capacity of local community lenders in low-income and disadvantaged areas

Grant funding may seem preferred, but local governments have been using existing streams of low-cost capital – which has only expanded in additional financing programs

Clean Water State Revolving Fund:

- The program has been in place since 1988 and has a long history of funding a wide range of wastewater and conservation projects
- The Infrastructure Investment and Jobs Act provided \$11.7 billion for the fund, as well as an additional \$1 billion to address emerging contaminants

Green and Resilient Retrofit Program:

- Introduced in Inflation Reduction Act, this HUD program is designed to improve HUD-assistance multifamily properties with the highest need for climate resilience and utility efficiency upgrades, regardless of prior development or environmental retrofit experience.
- \$1 billion in funding for direct loans and grants
- There are 4 application review periods, with 3 application deadlines remaining on November 30, 2023, February 28, 2024, and May 30, 2024

Questions to use as a gut check as you explore a range of funding and financing programs

Formula Funding	Will grant funds be used as a substitute or augmentation for projects planned to be funded vis
	capital improvement funds or bonds?
	Has the use of federal funds been intentionally considered?
	Has thought been given to innovative and equitable use of funds?
	Are you funding a pre-existing project slated for funding already?
Competitive Funding	If formula grants and local funding isn't available for project, are competitive federal grants being pursued?

Is there staff capacity to pursue competitive federal funds to underwrite/fund priority projects?

Climate Finance Decision Tree: Alternative Options



If project does not have existing bond capital, formula or competitive grant funding, have statelevel grant funding options been explored? State Revolving Loan Funds

If the project anticipates a return on investment and/or seeks up-front capital to capitalize on IRA elective pay, have state-level revolving loans been explored? Accessing GGRF Financing

If existing public project finance mechanisms aren't available and project investment requires financing or otherwise, are the lending vehicles offered via the GGRF being considered?

Poll Questions

Practical Guidance for Direct Pay

Poll Questions



SABIN CENTER FOR CLIMATE CHANGE LAW

Inflation Reduction Act "Direct Pay" for Tax Credits

Amy E. Turner Cities Climate Law Initiative, Sabin Center for Climate Change Law Sustainable Cities Fund

November 15, 2023

*Does not constitute legal advice

IRA Tax Credits Uncapped \rightarrow **Value Unknown**

04-22-23

The Inflation Reduction Act's \$391 billion could actually be far more—and that's a good thing

Key provisions of the law have no caps on spending, which means the actual outlay could be more, or less, than the figure we keep hearing.



The *Inflation Reduction Act of 2022* represents a historic, \$369 billion investment in the modernization of the American energy system. The U.S. Department of Energy's (DOE) preliminary assessment finds that this law—in combination with other enacted policies and past actions—will help drive 2030 economy-wide greenhouse



Recently passed legislation may help fulfil that potential. Critical funding for this next energy revolution is expected to come from the IRA, which will provide an estimated \$1.2 trillion of incentives by 2032 – creating the most supportive regulatory environment in clean tech history, according to Goldman Sachs Research.



Direct Pay for Tax Incentives

17 "SEC. 6417. ELECTIVE PAYMENT OF APPLICABLE CREDITS.

18 "(a) IN GENERAL.—In the case of an applicable entity 19 making an election (at such time and in such manner as 20 the Secretary may provide) under this section with respect 21 to any applicable credit determined with respect to such 22 entity, such entity shall be treated as making a payment 23 against the tax imposed by subtitle A (for the taxable year 24 with respect to which such credit was determined) equal to 25 the amount of such credit.

Parties Eligible for Direct Pay

- Exempt organizations under Section 501 of the Tax Code
- States and local governments
 - Territories, agencies, instrumentalities
 - Municipally-owned utilities
- Indian tribal governments
- Alaska Native Corporations
- Tennessee Valley Authority
- Rural electric coops

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- Exempt organizations under Section 501 of the Tax Code
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- Indian tribal governments
- Alaska Native Corporations
- Tennessee Valley Authority
- Rural electric coops

BUT

NOT Eligible: partnerships, taxpayers

Must own the asset

Nontaxpayers cannot use transferability

Direct Pay: Mechanics

Registration

Register project for which tax credit will be claimed on a to-bereleased online portal from the IRS

Get unique registration number



IRS Filings

File tax return (Form 990-T) & Form 3800 with registration number and supporting documentation by tax deadline

 Due 4.5 months after end of taxable year (+6-month extension if requested)



Refund

IRS makes payment after review of tax filing

 Could be more than 1 year after project is placed into service/money is spent

Direct Pay: Bureaucratic Considerations

Collecting needed documentation

No ability to amend filing later for incorrect or missing credit claims

Cash payment comes after IRS reviews Form 990-T

Form 990-T is new to many municipalities; local governments don't file federal tax returns

Different teams in local government need to work together

Local govts only

Direct Pay: Benefits

Guaranteed money for eligible projects

No competitive grant application

Mostly uncapped

Often stackable with grants and other forms of financing

No extended reporting (for most credits)

Available now

Tax Incentives Eligible for Direct Pay

<u>Section 30C</u> Alternative fuel refueling property	<u>Section 45</u> Renewable electricity production tax credit (PTC)	<u>Section 45Q</u> Carbon dioxide sequestration credit	Section 45U Zero-emission nuclear power production credit
<u>Section 45V</u> Clean hydrogen production credit	<u>Section 45X</u> Advanced manufacturing production credit	<u>Section 45Y</u> Clean electricity production credit	<u>Section 457</u> Clean fuel production credit
<u>Section 48</u> Energy investment tax credit (ITC)	<u>Section 48C</u> Qualifying advanced energy project credit	<u>Section 48E</u> Clean electricity investment credit	<u>Section 45W</u> Qualified commercial vehicles

Tax Incentives Eligible for Direct Pay

Section 30C Alternative fuel refueling property

Section 45

Renewable electricity production tax credit (PTC)

<u>Section 48</u> Energy investment tax credit (ITC)

<u>Section 45W</u> Qualified commercial vehicles

Clean Energy Tax Credits: ITC & PTC

Investment Tax Credit (IRC sec. 48)	Production Tax Credit (IRC sec. 45)
<u>6 percent to 30 percent</u> * credit for wind and solar projects, and other forms of clean energy starting in 2025.	0.55 cent to 2.75 cent per kWh * credit for wind and solar projects, and other forms of clean energy starting in 2025. Inflation adjusted.
Tax credit claimed for year project is placed in service	Tax credit is claimed each year for 10 years based on output

* Based on meeting prevailing wage and apprenticeship requirements.

ITC & PTC Bonuses or "Adders"

5%-30% (ITC) and 0.55 cent to 2.75 cent (PTC) spreads based on meeting prevailing wage & apprenticeship requirements (projects <1 MW are exempt/get higher credit automatically)



2% to 10% increase for meeting domestic content requirements (plus, for tax-exempt entities, tax credit starts phasing down in 2024 if domestic content reqs not met)



2% to 10% increase for siting in an "energy community"



Low-income community bonus credit of 10%-20% (more limited – must apply) (ITC Only)

ITC vs. PTC: How to choose?

Economic factors	 Higher credit amount depends on energy market, project size, and more PTC often good for utility scale, but this is not universal
Administrative factors	 ITC is one-time; PTC involves 10 years of filings ITC offers more cost certainty

Can't make broad claims about which credit has a higher value in each instance

Clean Commercial Vehicle Credit (IRC s 45W)

Up to 30% tax credit for purchase of qualified clean commercial vehicle

- \$40,000 cap for vehicles larger than 14,000 pounds
- \$7,500 cap for vehicles smaller than 14,000 pounds
- Uncapped in the aggregate
- Can be combined with other programs (clean school buses, etc.)

Alternative Vehicle Fueling Credit (IRC s 30C)

6 to 30 percent credit for charging equipment for electric, hydrogen, or natural gas vehicles

- Cap of \$100,000
- Only for fueling infrastructure built in nonurban census tracts or low-income communities
- Prevailing wage & apprenticeship for 30% credit

Elective Pay – Moving Forward

<u> </u>	<u> </u>	
-		

Tax credits are available this year (2023-2032)

Current projects are eligible



IRS guidance is not final, but we generally understand how claiming tax credits will work based on preliminary and draft guidance



Huge potential; credits are mostly uncapped and money is available now for state & local governments & agencies and nonprofits

Thank You!

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Columbia Law School

SABIN CENTER FOR CLIMATE CHANGE LAW

Poll Questions

Questions & Discussion

Type directly in the Zoom Q&A

Near-term resources to keep you going!

Understanding the IRA

- WRI Catalyzing Local Clean Energy: A Roadmap for Maximizing Inflation Reduction Act Opportunities and Community Benefits
- USDN's Inflation Reduction Act Miniguide
- <u>C40 Cities and Climate Mayors IRA Guidebook for Local Government Leaders</u>
- RMI 4 Ways the IRA Speeds the Shift to a Cleaner, More Affordable Energy Future
- WRI Beyond Climate: 6 Big Benefits of the IRA

Understanding Federal Funding Opportunities

- AFFORD Tool (Updated 10/05/2023)
- Electrification Coalition EV Funding and Financing Guide

Understanding Equity & Federal Funding

- <u>Renewables Accelerator Funding Guidance</u>
- IRA Bonus Mapper (Beta)
- White House CEQ Justice40 Guidance



RENEWABLES ACCELERATOR

THANK YOU FOR JOINING US FOR THIS LEARNING SERIES!

For more info, please contact:

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