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

- Welcome
- Funding Tool & Funding Guidance Update
- Spotlight on Near-Term Federal Opportunities
- Practical Guidance for Direct Pay
- Q&A
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 a lot.
The AFFORD tool, America’s Federal Funding Opportunities and Resources for Decarbonization, 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
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.

Tell us about yourself.
Local Government

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

Select one or more project types.

Finally, what types of funding are you interested in?
Grant - Competitive/Discretionary Grant - Formula/Block Loan Revolving Loan Technical Assistance Tax Credits/Deductions Other Incentive

Continue to Tool
248 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.
AFFORD’s latest Compare & Share function allows you to more easily focus on programs of interest and efficiently share those with your team and other partners.

**Climate Pollution Reduction Grants (CPRG) – Implementation**

- **Purpose**: To implement GHG reduction programs, policies, projects, and measures identified in a Priority Climate Action Plan (PCAP) developed under a CPRG planning grant.
- **Federal Agency**: Environmental Protection Agency (EPA)
- **Deadline**: April 1, 2024 (general); May 1, 2024 (Tribe and territories)
- **Funding Available**: $4,300,000,000 for general competition; $300,000,000 for Tribes and territories
- **Eligibility Requirements**: Only entities that directly received a CPRG planning grant are eligible to apply.

**Climate Ready Workforce for Coastal States, Tribes, and Territories Competition**

- **Purpose**: 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.
- **Federal Agency**: Department of Commerce
- **Deadline**: November 30, 2023 (Letter of Intent); February 13, 2024 (Full Application)
- **Funding Available**: $50,000,000
- **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.

**Community Change Grants Program**

- **Purpose**: To support partnerships of community-based organizations (CBOs) to implement pollution reduction, workforce development, and community engagement projects.
- **Federal Agency**: Environmental Protection Agency (EPA)
- **Deadline**: NOFO expected in Fall 2023; applications will be open on a rolling basis for one year
- **Funding Available**: $2,000,000,000
- **Eligibility Requirements**: Partnerships of two or more CBOs, or a CBO plus a local government, Federally-recognized Tribe, or higher education institution is eligible to apply.

**Climate Pollution Reduction Grants (CPRG) – Implementation**

- **Maximum Award Amount**: $150,000,000 for general competition; $25,000,000 for Tribes and territories
- **Expected Allocations**: 115 for general competition; 100 for Tribes and territories
- **Average Award (Estimated)**: $37,400,000 for general competition; $3,000,000 for Tribes and territories
- **Matching Funds**: Not required

**Climate Ready Workforce for Coastal States, Tribes, and Territories Competition**

- **Maximum Award Amount**: $10,000,000
- **Expected Allocations**: 10-20
- **Average Award (Estimated)**: $333,333
- **Matching Funds**: Not required

**Community Change Grants Program**

- **Maximum Award Amount**: $3,000,000
- **Expected Allocations**: TBA
- **Average Award (Estimated)**: Mostly $10-20 million, with some $1-3 million grants for community engagement
- **Matching Funds**: TBA
The Funding Guidance walks you through what you need to know and do to prepare effectively for federal opportunities.
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!

Reach out to Matthew Popkin at mpopkin@rmi.org or Alex Dane at alex.dane@wri.org

Send emails to cityrenewablesaccelerator@rmi.org
Spotlight on Near-Term Opportunities
The following 5 programs offer new and familiar mechanisms to advance local and community climate action:

1. Energy Efficiency and Conservation Block Grants
2. Renew America's Schools Program
3. Climate Pollution Reduction Grants
4. Low-Income Communities Bonus Credit Program
5. Low-Cost Capital Opportunities
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!**

- **March 2023:** Planning grant NOI
- **September 2023:** Implementation grant NOFOs released
- **March 1, 2024:** State and MSA PCAPs due
- **April 1, 2024:** Implementation grant application due
- **July 2024:** Anticipated notice of funding selections
- **October 2024:** Anticipated distribution of awards

- **Available funding includes $4.3 billion for all eligible entities and $300 million specifically for Tribes and territories.**
- **Planning entities must submit Priority Climate Action Plans (PCAPs), which will impact eligible implementation grant activities.**
- **Individual grant awards are anticipated to be between $2 million and $500 million, split between different project tiers.**

*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)

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

**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
Identify Existing and Future Projects Eligible for IRA Incentives: New IRA Bonus Mapper Tool
A large amount of low-cost capital has already been released, but even more is coming soon through the Greenhouse Gas Reduction Fund.

<table>
<thead>
<tr>
<th>National Clean Investment Fund</th>
<th>Solar For All</th>
<th>Clean Communities Investment Accelerator</th>
</tr>
</thead>
<tbody>
<tr>
<td>• $14 billion in grants to fund 2-3 national non-profit clean technology financiers</td>
<td>• $7 billion in grants to eligible governmental entities and non-profits</td>
<td>• $6 billion in grants to 2-7 hub nonprofits to deliver funding and technical assistance</td>
</tr>
<tr>
<td>• Grantees will provide financial products and support pre-development expenditures for qualified projects</td>
<td>• To expand distributed solar in low-income and disadvantaged communities across the U.S.</td>
<td>• Designed to build the clean energy financing capacity of local community lenders in low-income and disadvantaged areas</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th><strong>Formula Funding</strong></th>
<th>Will grant funds be used as a substitute or augmentation for projects planned to be funded via capital improvement funds or bonds?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Has the use of federal funds been intentionally considered?</td>
</tr>
<tr>
<td></td>
<td>Has thought been given to innovative and equitable use of funds?</td>
</tr>
<tr>
<td></td>
<td>Are you funding a pre-existing project slated for funding already?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Competitive Funding</strong></th>
<th>If formula grants and local funding isn't available for project, are competitive federal grants being pursued?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Is there staff capacity to pursue competitive federal funds to underwrite/fund priority projects?</td>
</tr>
</tbody>
</table>
Climate Finance Decision Tree: Alternative Options

State Formula / Competitive Grants
If project does not have existing bond capital, formula or competitive grant funding, have state-level 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
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 → Value Unknown

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

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 gas reductions.

Recently passed legislation may help fulfill 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.
“SEC. 6417. ELECTIVE PAYMENT OF APPLICABLE CREDITS.

“(a) In general.—In the case of an applicable entity making an election (at such time and in such manner as the Secretary may provide) under this section with respect to any applicable credit determined with respect to such entity, such entity shall be treated as making a payment against the tax imposed by subtitle A (for the taxable year with respect to which such credit was determined) equal to 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
Parties Eligible for Direct Pay

- Exempt organizations under Section 501 of the Tax Code
- States and local governments
  - Territories, agencies, instrumentalities
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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-be-released 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

Available now
Tax Incentives Eligible for Direct Pay

- **Section 30C**: Alternative fuel refueling property
- **Section 45**: Renewable electricity production tax credit (PTC)
- **Section 45Q**: Carbon dioxide sequestration credit
- **Section 45U**: Zero-emission nuclear power production credit
- **Section 45V**: Clean hydrogen production credit
- **Section 45X**: Advanced manufacturing production credit
- **Section 45Y**: Clean electricity production credit
- **Section 45Z**: Clean fuel production credit
- **Section 48**: Energy investment tax credit (ITC)
- **Section 48C**: Qualifying advanced energy project credit
- **Section 48E**: Clean electricity investment credit
- **Section 45W**: Qualified commercial vehicles
Tax Incentives Eligible for Direct Pay

- **Section 30C**: Alternative fuel refueling property
- **Section 45**: Renewable electricity production tax credit (PTC)
- **Section 48**: Energy investment tax credit (ITC)
- **Section 45W**: Qualified commercial vehicles
### Clean Energy Tax Credits: ITC & PTC

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

* 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)

- $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.)

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

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!

Amy E. Turner

Sabin Center for Climate Change Law, Columbia Law School
Sustainable Cities Fund

aturner@law.columbia.edu
Twitter: @amyturner
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
- C40 Cities and Climate Mayors IRA Guidebook for Local Government Leaders
- 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

- Renewables Accelerator Funding Guidance
- IRA Bonus Mapper (Beta)
- White House CEQ Justice40 Guidance
THANK YOU FOR JOINING US FOR THIS LEARNING SERIES!

For more info, please contact:

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