



# Maximize Your Return on Imagination

## Using EECBG funds for long-lasting decarbonization

**June 3, 2022: 10am PST/1pm EST**

Davis Wright Tremaine: Olivier Jamin, Nick Wegley  
L4GG: Jillian Blanchard



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ISSUES:





# L4GG's Decarbonization and Resilience Funding Clinic

Mission: To help local and state governments obtain and use \$\$ from Biden's Infrastructure Law (BIL or IIJA) effectively for decarbonization, resilience, and long-lasting climate equity projects.

Goal: Get the \$\$ Where It's Needed Most

## L4GG Webinars:

- June 3, 2022: EECBG/Local Gov
- June 9, 2022: State Energy Program/State Administrators
- Summer/early Fall - 5-7 webinars, technical assistance, FAQs
  - Equity/ Biden's J40 Initiative /Disadvantaged Communities
  - Funding Streams for Decarbonization
  - Funding Streams for Climate Resilience



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Legal Resources Available:

- <https://www.lawyersforgoodgovernment.org/l4gg-climate-change-resources>
- <https://www.lawyersforgoodgovernment.org/funding-clinic-resource-signup>



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# IIJA Funding for Decarbonization Projects

- Infrastructure Investment and Jobs Act: (IIJA) - Biden's Bipartisan Infrastructure Law passed November 2021. Provides funding to new and existing programs.
- Focus of today: Energy Efficiency and Conservation Block Grant Program Funding Opportunities (EECBG)
- Goals:
  - Outline use of EECBG funds for financing programs
  - Demystify IIJA and EECBG Funding Regs
  - Highlight Benefit Financing Programs
  - Equity Considerations
  - Key Takeaways
  - Answer Questions/Practical Assistance



# Introduction to EECBG

- EECBG: Program to implement strategies that:
  - Reduce emissions in an environmentally sustainable manner, maximizes benefits for the community
  - Reduce total energy use
  - Improve energy efficiency in transportation, construction, and buildings
- Funding available: \$550 million will be allocated to units of governments as follows:
  - 68 % funds = Cities and counties
  - 28 % funds = States (possible pass thru to smaller municipalities)
  - 2 % = Tribes
  - 2 % = competitive grants to local governments (or group of locals) that are not eligible based on population



# EECBG Overview

- **Not a new program:**
  - Funded previously through the 2009 American Recovery and Reinvestment Act → \$3.2 billion to cities, counties, states, U.S. territories, and Tribes to develop, promote and implement energy efficiency and conservation projects.
- **Eligibility:** Energy efficiency and clean energy projects led by states, local governments, and Tribes
  - Cities with a population of at least 35,000
  - Ten largest cities in each state, including Puerto Rico, regardless of population
  - Counties with a population of at least 200,000 or otherwise the 10 highest-populated counties of each state

→ **Apply directly through DOE**

  - All other cities and counties can apply for EECBG funds through their state or potentially competitive grants
- **Allocation:**
  - Formula established according to set factors - automatic, no competition





# Benefits of EECBG Program

- Combined energy savings from all EECBG activities: 409 million source MMBtu for the 2009 to 2050 period
- Generated 4.2 MMBtu from on-site renewable energy projects
- Produced a net total job gain of 62,900 job years
- Avoided 25.7 million metric tons of carbon equivalent
- Produced \$5.2 billion of total cumulative savings on energy bills (70% of which were realized by residential consumers)



# Why Financing Programs?

- Great Return on Investment – Leverage \$600k into \$12 million
- Great Energy Savings - Estimated 57% of all savings through EECBG
- Best GHG Reduction and Cost Savings
- Aligns with J40 – Promotes Equity
- Supports Low and Moderate Income – Greenbank, community solar
- Long-lasting, Legacy Effect
- Systemic Change



# Why Financing Programs?

COST EFFECTIVENESS MEASURES: RAC TEST (ANNUAL ENERGY SAVINGS PER \$1,000 IN EECBG EXPENDITURES)			
<i>Metrics</i>	<i>RAC Test Result- Building*</i>	<i>RAC Test Result- System*</i>	<i>Bill Savings (\$Thousands)</i>
Energy Efficiency Retrofits	5.18	5.20	\$748,188
Financial Incentives (with loan principal)	9.76	9.92	\$2.74 million
Financial Incentives (without loan principal)	14.97	15.20	\$2.74 million
Buildings and Facilities	13.70	13.70	\$260,377
Lighting	39.17	39.17	\$1.31 million
On-site Renewable Technology	0.09	2.92	\$123,550
Energy Efficiency and Conservation Strategy	2.86	2.87	\$21,192
Total (with loan principal)	9.64	10.47	\$5.20 million
Total (without loan principal)	9.83	10.67	\$5.20 million

COST EFFECTIVENESS MEASURES: PRESENT VALUE TEST (COMPARES LIFETIME PARTICIPANT BILL SAVINGS TO EXPENDITURES)			
<i>Discount Rate</i>	<i>0.70%</i>	<i>2.70%</i>	<i>4.70%</i>
Energy Efficiency Retrofits	0.66	0.56	0.49
Financial Incentives (with loan principal)	4.95	3.77	2.95
Financial Incentives (without loan principal)	7.61	5.79	4.51
Buildings and Facilities	1.18	1.05	0.94
Lighting	6.37	5.38	4.60
On-site Renewable Technology	0.72	0.57	0.47
Energy Efficiency and Conservation Strategy	0.31	0.27	0.23
Total (with loan principal)	2.18	1.76	1.44
Total (without loan principal)	2.37	1.91	1.57

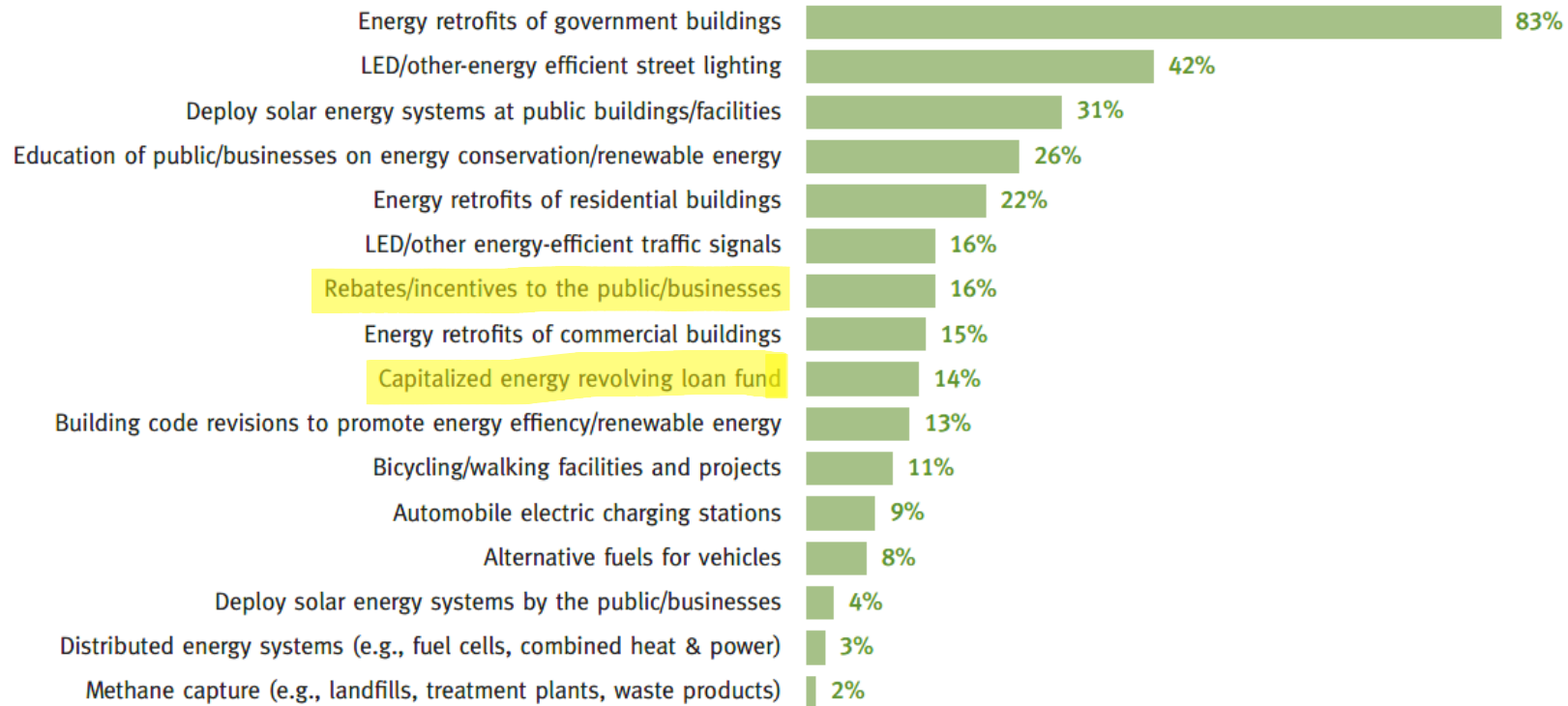
Financing programs provide the best returns!



# Past Use of Funds

## How Did Cities Use EECBG Funds

(percentage of cities)



Source: U.S. Conference of Mayors



# New EECBG Program

- New funding: \$550 million available until expended
- Available 4th quarter of 2022
- IIJA added Eligibility Category Focused on Financial Programs:
  - **NEW\*: programs for financing energy efficiency, renewable energy, and zero-emission transportation (and associated infrastructure), capital investments, projects, and programs, which may include loan programs and performance contracting programs, for leveraging of additional public and private sector funds, and programs that allow rebates, grants, or other incentives for the purchase and installation of energy efficiency, renewable energy, and zero-emission transportation (and associated infrastructure) measures.**
- Old law included “establishment of financial incentive programs for energy efficiency improvements,” but it wasn't used enough - IIJA addition clarifies DOE emphasis on these programs.



# 2016 Existing Guidance on Financial Programs

- Must be for a financial incentive program: rebate, loan or grant programs
- Must "improve energy efficiency"
- Limited to residents, non-profits, government entities, or businesses within the city limits
- May be used for installation of renewable energy technologies, as long as the primary purpose of the activity is the improvement of the energy efficiency of the building to which the renewable energy technology is applied
- Cities and counties may establish loan loss reserve, revolving loan program, third party loan insurance, and interest rate buy-down programs, which can be self-administered or administered through third party
- Caveat: Additional guidance may be coming in the summer/fall



# Specific Programs

- Revolving Loan Funds: Self-replenishing pools of capital from which loans can be made for clean energy projects—as loans are repaid, capital reloaned for another project.
- Rebates and Grants: Financial incentives for energy efficient purchases and improvements.
- Loan Loss Reserves: Credit enhancement approach to provide partial default risk coverage to lenders.
- Interest Rate Buy-Downs: One party provides a lump-sum payment based on the net present value of the difference between a target return to the lender and the borrower's interest rate.
- Third-party Loan Insurance: Financial arrangement under which a third-party bears some portion (or all) of a loss on a specific portfolio.



# Examples of EECBG Funded Financial Programs

## Snohomish County's Loan Loss Reserve Program

- Low-interest loans to residential homeowners to conduct energy efficiency and conservation retrofits
- Strategic partnership with Puget Sound Cooperative Credit Union to develop a loan loss reserve program
- PSCC used own capital to service loans and EECBG funds used to partially cover customer default
- Numerous benefits, including leveraging initial investment of \$644,000 to support approximately \$12 million in loans over about 15-20 years
- If self-administered, likely would have exhausted funds in the first four months

<https://snohomishcountywa.gov/1678/EECBG-Activities>





# ...EECBG Funded Financial Programs

Two years into implementation, the Energy Smart Loan Program has:

- Made **360 Energy Smart loans** to homeowners totaling **\$3.7 million**.
- Generated **\$1.8 million in energy efficiency work** completed by Snohomish County contractors.
- Financed an **average project investment of \$10,350**, demonstrating that homeowners have made deep energy efficiency investments; 60% more per project than anticipated at program inception.
- Saved participating Snohomish County homeowners an estimated total of **6 billion British Thermal Units (BTUs) of energy**, enough energy to power:
  - 66 homes for a year<sup>1</sup>
  - 9 planet circumnavigations in a 2014 electric Smart Car<sup>2</sup>
- Saved participating Snohomish County homeowners more than **\$180,000 a year in energy bills**; an average of \$500 per homeowner.
- Not recorded a loan default to date.



Energy Smart  
Loans

for Snohomish County  
Homeowners

[https://www.snohomishcountywa.gov/DocumentCenter/View/39610/Energy-Smart-Program-Report\\_06302014\\_Rev1?bidId=](https://www.snohomishcountywa.gov/DocumentCenter/View/39610/Energy-Smart-Program-Report_06302014_Rev1?bidId=)



# ...EECBG Funded Financial Programs

## Seattle's Revolving Loan Fund

- Revolving loan fund for residential homeowner energy efficiency retrofits for upgrades to lighting, furnaces, water heaters, and windows, etc
- Loans vary from \$8,000 to \$20,000, based on the projects undertaken, come with flexible amortization schedules, and tiered interest rates that allow for greater subsidies to the lowest income borrowers
- Craft3 and PSCC manage the loan fund and connect residents with other energy efficiency financial incentives to make home retrofits as affordable as possible and leverage other matching funds

[https://www.brookings.edu/wp-content/uploads/2016/06/0723\\_arra\\_seattle\\_profile.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/0723_arra_seattle_profile.pdf)



# ...EECBG Funded Financial Programs

## Palm Beach County Revolving Energy Fund for Businesses

- Administered by the Palm Beach County Department of Housing and Economic Sustainability
- Loans available to assist businesses to invest in energy conservation measures to save resources
- 3% fixed rate and with terms not to exceed ten years
- Loan amounts range from a minimum of \$15,000 to a maximum of \$150,000
- Eligible uses include: acquisition and installation of energy efficient equipment and renewable energy products such as Energy Star rated appliances; efficient lighting; heating, venting, and air conditioning (HVAC) units; high-efficiency shower and/or faucet upgrades; weather sealing; and the replacement of windows and doors
- Energy Loan funded projects must address the County's priorities to increase investment in energy efficiency and result in the job creation and/or retention





# ...EECBG Funded Financial Programs

## **Revolving Energy Fund:**

The PBC Revolving Energy Fund Loan Program is a financing tool under the Energy Efficiency & Conservation Block Grant (EECBG) authorized by the U.S. Department of Energy to promote energy savings & efficiency.

## **Mission of the Program:**

The mission of the Revolving Energy Fund Loan Program is to enhance the overall quality of life in Palm Beach County and improve energy efficiency by enabling the business community to invest in energy conservation measures, saving business & environmental resources.

PBC's priorities include increased investment in energy efficiency along with job creation & retention.



**INDUSTRY AND  
CONSTRUCTION ACCOUNT FOR  
MORE THAN HALF OF TOTAL  
ENERGY CONSUMPTION  
TODAY!**

## **Eligibility & Covered Expenses**

**Eligibility:** Businesses located within PBC  
**Covered Expenses:** Based on results of an energy audit, including, but not limited to acquisition & installation of:

- 1) Energy efficiency equipment such as solar panels & Energy Star rated appliances;
- 2) Construction materials & components leading to energy efficiency building retrofits such as windows, insulation materials, HVAC, lighting, etc.



## **Revolving Energy Fund Program Implementation Objectives to facilitate energy efficiency retrofits/improvements:**

- 1) Provide direct loans to eligible borrowers with equity investments when appropriate;
- 2) Provide long term, fixed-rate financing at interest rates lower than conventional financing;

- 3) Provide subordinated financing to eligible borrowers to fill financing gap beyond the amount of private participation and equity investment that can be raised.

## **Anticipated Timeline:**

The PBC Economic Development Office began marketing the program in the fall of 2010 & is now accepting applications. We are available to meet with you to provide more information about this exciting program.



## **Additional Eligibility Information:**

Target audiences will be private, for-profit businesses that have been operational for at least two years; & non-profit economic development organizations with projects involving the renovation/construction of commercial/industrial buildings.

Further information is available at:  
[www.pbcgov.com/edo/](http://www.pbcgov.com/edo/)



# ...EECBG Funded Financial Programs

## City of Plano, Texas Smart Energy Loan Program

- Established loan program through the DOE to support Plano homeowners seeking energy-efficient home improvements
- In partnership with BTH Bank, financing is provided to program participants, subject to credit approval
- Loan terms and interest rates determined by BTH Bank. Loan amounts range from \$2,500 to \$25,000
- Open to citizens living in owner-occupied homes, current on mortgage and property taxes
- Eligible improvements include air sealing and ventilation, insulation, landscaping, lighting, small wind turbines, solar, solar hot water, space heating and cooling...



# Equity – Prioritize Disadvantaged Communities

- **Biden's J40 Initiative:** Executive Order 14008 (January 27, 2021)
  - **40 % of benefits** from certain federal investments to disadvantaged communities
  - Tracking performance through Environmental Justice Scorecard
- OMB Interim Guidance for Justice40: M-21-28, July 20, 2021
  - **Covered programs** = Any Federal program in: Climate change, Clean energy and energy efficiency, Clean transportation, Training and workforce development (related to climate, clean energy, housing, water and wastewater infrastructure) = SHOULD APPLY TO EECBG
  - **Benefits** = Include direct and indirect investments (and program outcomes)
    - Increased energy efficiency programs Deployment of clean energy, including
    - Renewable community energy projects
    - Reduction of energy burden (e.g. the share of household income spent on home energy costs)
- DOE Implementation: [energy.gov/diversity/energy-justice-dashboard-beta](https://energy.gov/diversity/energy-justice-dashboard-beta)



# DAC – WH and DOE Working Definition

- Community – “Group of individuals living in geographic proximity to one another, or a geographically dispersed set of individuals (such as migrant workers or Native Americans), where group experiences common conditions.”
- Disadvantaged – The DOE working definition developed by collaborative research process and includes thirty-six (36) indicators collected at the census tract level, grouped across following categories:
  - Fossil Dependence (2)
  - Energy Burden (5)
  - Environmental and Climate Hazards (10)
  - Vulnerability (socioeconomic, housing burden, transportation burdens, etc.) (19)

DAC eligibility further restricted by Income



# DOE Implementation of Biden's J40

DOE: Office of Economic Impact Diversity: <https://www.energy.gov/diversity/justice40-initiative>,

Shalanda Baker, advisor on equity and deputy director for energy justice

- 8 DOE Policy Directives to implement Biden's J40:
  - Decrease energy burden in disadvantaged communities (DACs)
  - Decrease environmental exposure and burdens for DACs
  - Increase parity in clean energy technology (e.g., solar, storage) access and adoption in DACs.
  - Increase access to low-cost capital in DACs
  - Increase clean energy enterprise creation and contracting (MBE/DBE) in DACs
  - Increase clean energy jobs, job pipeline, and job training for individuals from DACs
  - Increase energy resiliency in DACs
  - Increase energy democracy in DACs





# Practical Steps to Address Equity

1. Identify DACs: whether your locality is or contains a DAC
  - If no state definition, check federal mapping tool
  - [Climate and Economic Justice Screening Tool](#) - Feb 2022
2. Prioritize DACs: Identify financing programs that benefit LMI and DACs and highlight this in application – Look at End Users
3. Engagement: Identify Community Leaders, NGOs to help identify projects, workforce, increase engagement, and educate about opportunities
4. Determine whether and how your financing program could impact DACs
5. Highlight DACs in Application: DOE will be tracking
6. Include funding for technical assistance and community leaders to ensure that communities that need it most benefit and use the program



# Big Picture

- Lots of money available starting in the 4th quarter of 2022, next 5 years
- Statutory changes from IIJA make clear that financing programs are a priority
- Consider using Categories 4 or 14 for **big return on investment** and supporting equity
- Engage with local stakeholders to maximize benefits for local communities
- Incorporate equity into all decisions



# Getting Ready

- Estimated application opening date, 4th quarter 2022 – Check DOE Website for Updates: <https://www.energy.gov/bil/energy-efficiency-and-conservation-block-grant-program>
- Start thinking about how to leverage funds:
  - Ensure Stakeholder Participation
  - Talk to Community Leaders, Prioritize Vulnerable Communities, Establish Community Task Force to Help Identify Projects and Educate Community
  - Consider State Agencies as Partners
  - Identify Projects that will have an impact for communities that have the biggest need to meet the goals of the Justice40
  - Use Available Resources for Guidance: DOE, NLC, L4GG, state agencies...



# Resources

- DOE: <https://www.energy.gov/eere/wipo/energy-efficiency-and-conservation-block-grant-program-bipartisan-infrastructure-law-2021>
- NCL: <https://www.nlc.org/article/2022/05/18/state-city-partnership-opportunities-through-the-energy-efficiency-and-conservation-block-grant-program/>
- L4GG: <https://www.lawyersforgoodgovernment.org/climate-change>



## Questions and Discussion:

- Examples of past successes?
- Perceived barriers, concerns?
- Perceived risks and mitigation?

## More Information:

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- Alex Dane, WRI: [Alex.Dane@wri.org](mailto:Alex.Dane@wri.org)
- Legal Resources: <https://www.lawyersforgoodgovernment.org/funding-clinic-resource-signup>

# THANK YOU!!

