

Federal Programs to Capitalize State Energy Financing Initiatives

SEP-RLF (BIL 40502) & GGRF (IRA 60103)

NASEO 2023 Annual Meeting

October 17, 2023

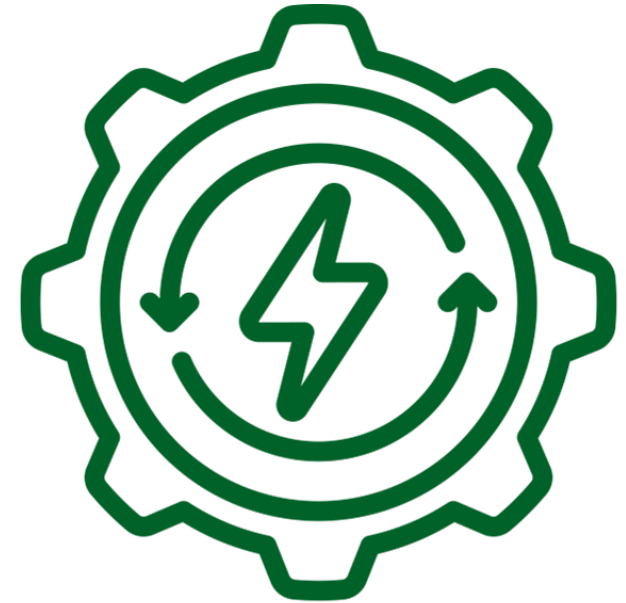


SCEP

STATE & COMMUNITY ENERGY PROGRAMS

Topics to Be Covered

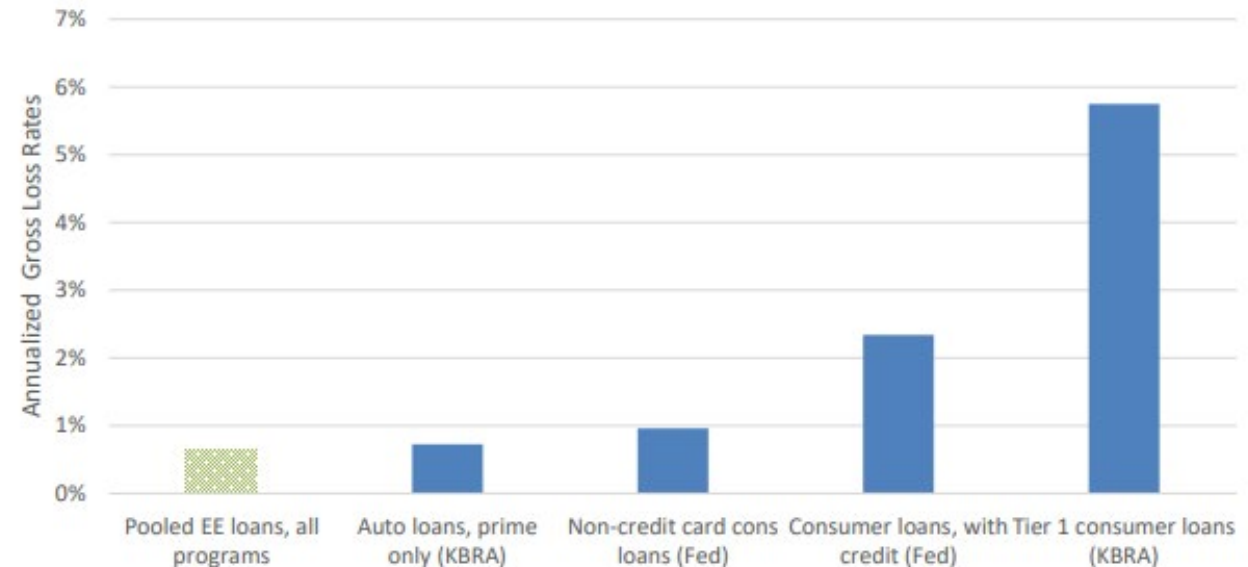
- I. Seizing the Opportunity: Energy Financing Programs
- II. Overview: SEP RLF
- III. RLF Issue Areas
 - I. Complying with Federal Requirements (*BABA/DBA*)
 - II. Complying with RLF Requirements (*e.g., audits, 180-days*)
 - III. Designing for Private Capital Leveraging
- IV. Overview: Greenhouse Gas Reduction Fund



Seizing the Opportunity: Energy Financing Programs

Since the American Recovery and Reinvestment Act (ARRA), energy financing programs have proliferated and driven accelerated, low-risk deployment of clean energy technology capable of leveraging private capital. Financing programs established under the Bipartisan Infrastructure Law and the Inflation Reduction Act present an unprecedented opportunity.

- **35** states capitalized RLFs using funds from ARRA; total capitalization was **\$566 million**
 - RLFs capitalized using these funds have loaned **\$796 million**
 - Some states have loaned out funds 2x times or more!
- Credit enhancements such as loan loss reserves have proven ability to attract private capital with leveraging ratios of **20:1+**
- Energy efficiency loans are generally low-risk and **comparable to prime auto loans***
 - Low delinquency rates (30-day delinquency rate of 1.57%; 2-year losses (charge offs) of 2.1%



Annualized loss rates, energy efficiency loans and comparators

Sources: Bullet 1 - DOE's PAGE system; Bullet 2 - [Connecticut Green Bank ARRA Impact Report](#); Bullet 3 - [Long-Term Performance of Energy Efficiency Loan Portfolios](#) (Berkeley Lab, 2022).

RLF (BIL 40502) Overview

- **Purpose:** Provide grants to **State Energy Offices (states)** to capitalize revolving loan funds to provide loans and grants for commercial and residential energy audits, energy efficiency upgrades, and retrofits as well as technical assistance.
- **Funding:** Provides **\$242M** in one-time formula funding to states, territories and the District of Columbia.
- **Key features:**
 - Range of RLF designs to maximize leveraging of private capital (e.g., loan loss reserves) and flexibility to serve residential, commercial, or public sectors
 - Up to 25% of funds eligible for grants or technical assistance for small businesses and low-income homeowners
 - States must begin using grants within 180 days of receipt
 - Unclaimed funds are redistributed to states that claimed funds

Key goals of RLF:

1. Maximize loan volume & leverage private capital
2. Accelerate & maximize energy savings
3. Create good-paying jobs and support Justice40 Initiative

Applications received: May

Awards: Late 2023/Early 2024

RLF Applications Overview*

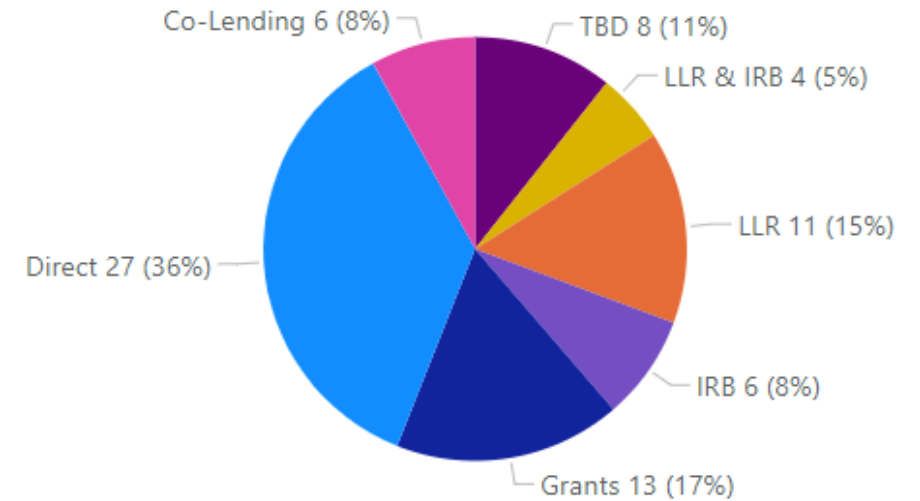
Overview

- **48** states applied, 7 deferred, 1 declined
- **76** RLF programs *including* 13 grant programs (under 25% grants/TA cap)

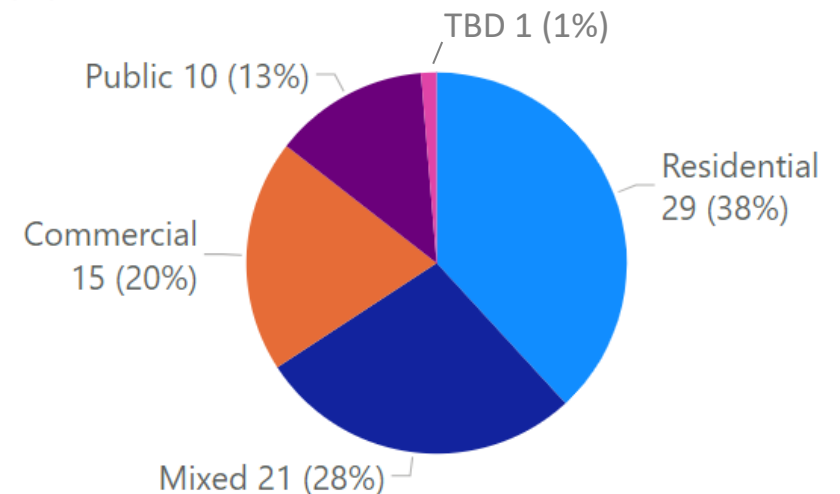
Program Design

- Multiple programs: **13** states (27%)
- Multiple sectors: **21** states (44%)
- Multiple financial instruments: **9** states (19%)
- Engaging third-party support: **33** states (69%)

Financial instrument



Sector



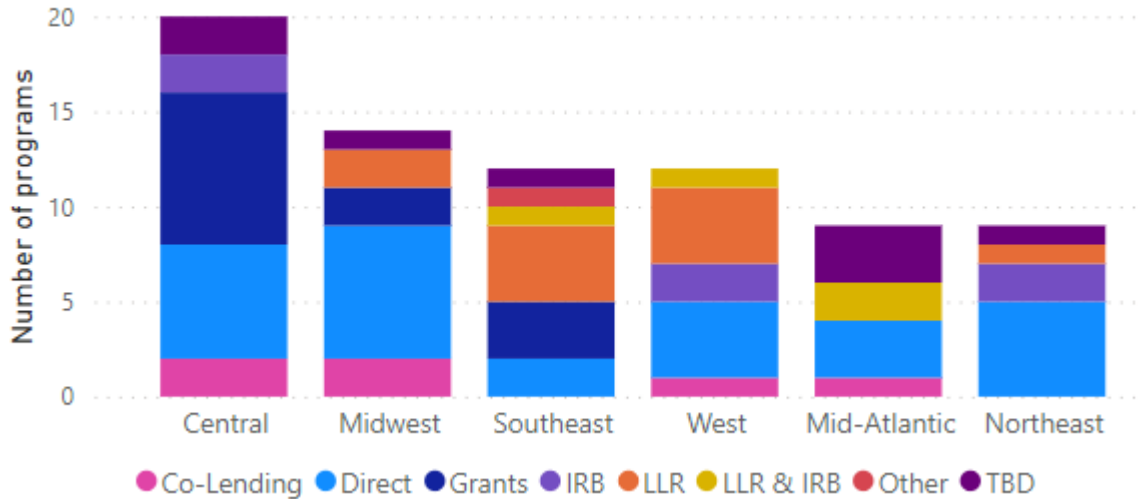
*Based on state RLF applications of planned RLF programs as of September 26, 2023.

RLF Applications by NASEO Regions

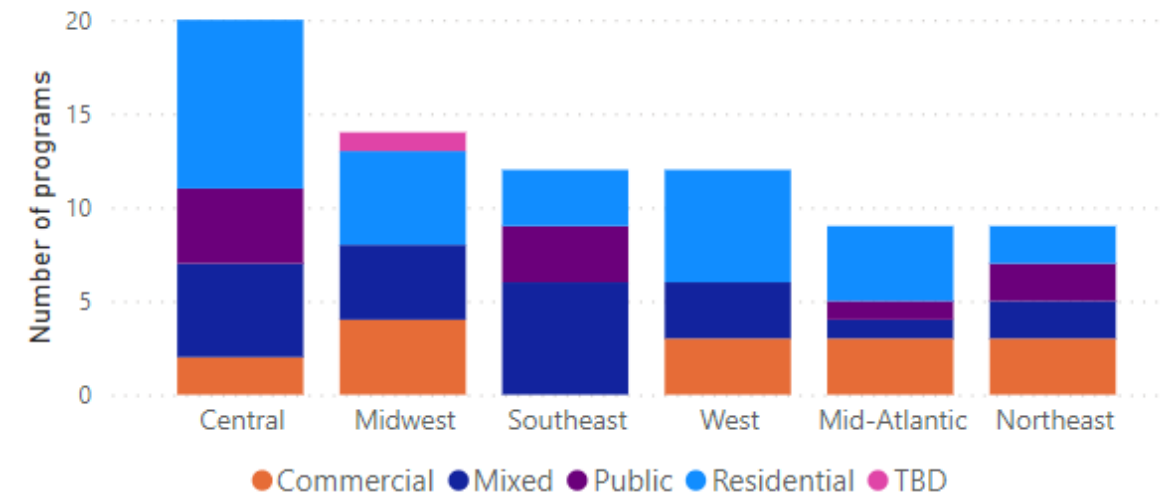
Financing instruments definitions

- Direct – SEO acts as sole capital provider of a loan
- Grant – Up to 25% RLF funds for grants/TA to eligible recipients for energy audits/upgrades/retrofits
- Other financing instruments with proven track-record for attracting private capital: loan-loss reserve (LLR), interest rate buydown (IRB), co-lending

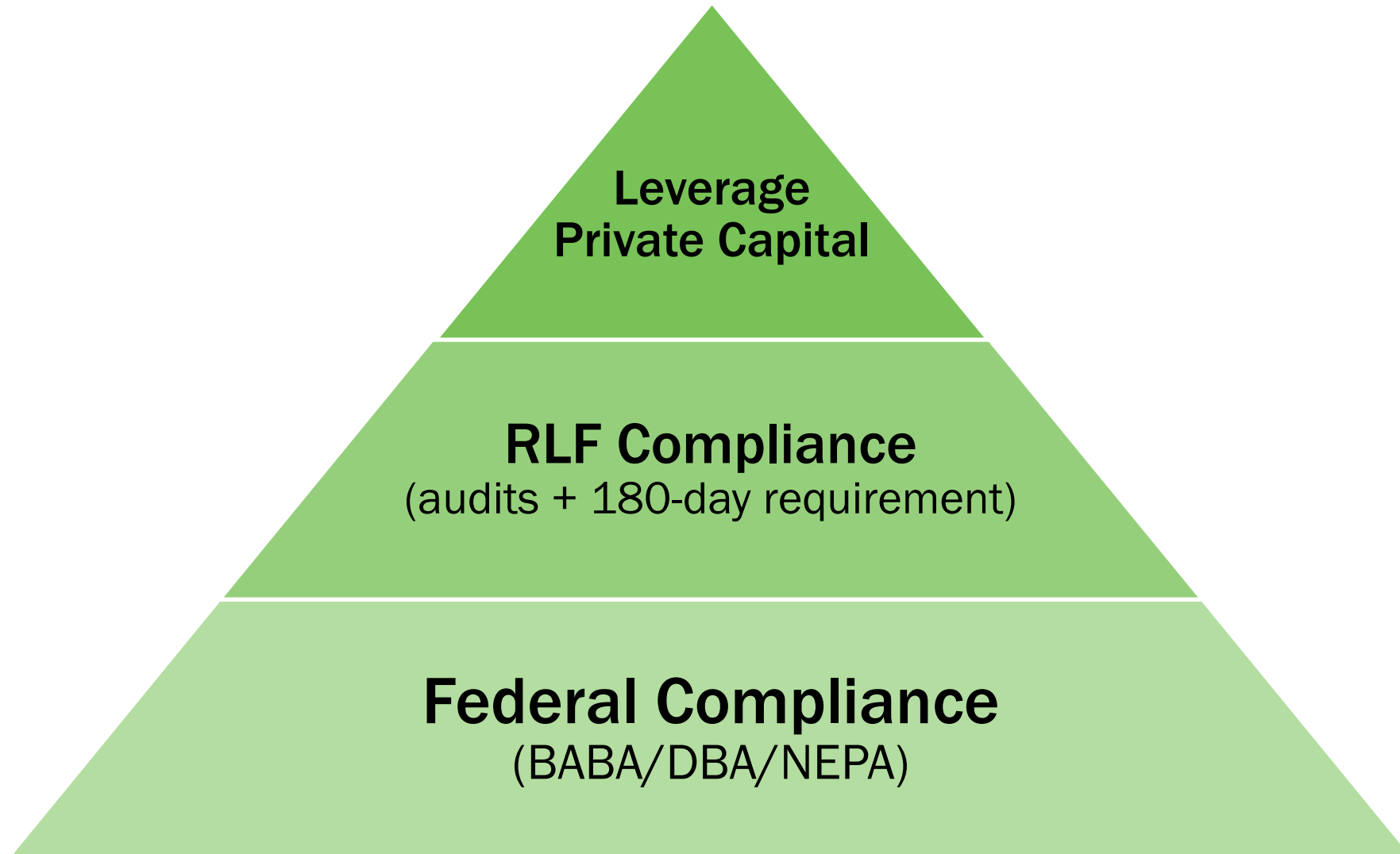
Financial instrument by NASEO region



Sector by NASEO region



Understanding RLF Programs by Issue Areas



RLF Issue Area: Compliance with Federal Requirements

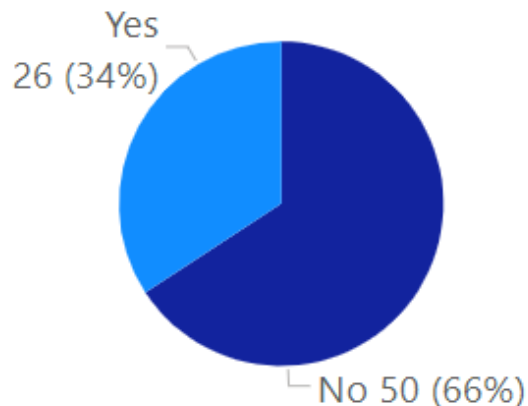
Loans and grants funded by RLF dollars are subject to Davis-Bacon (DBA) and Build America, Buy America (BABA) requirements. BABA and DBA requirements do not apply to loan loss reserves, interest rate buydowns.

RLF Application Analysis

- **22** states (~\$126 million) potentially subject to BABA (public sector serving programs)
- **33** states (~\$177 million) potentially subject to DBA (non-LLR/IRB programs)

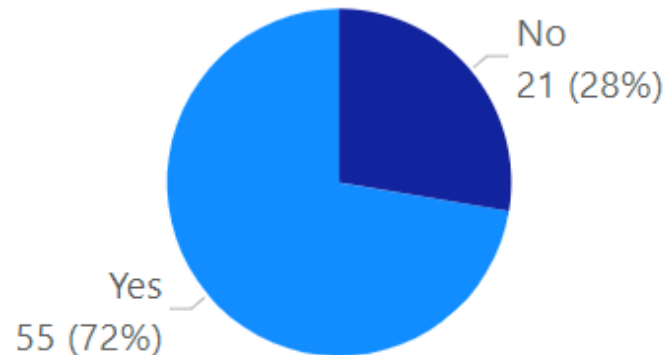
Programs potentially subject to BABA*

*Public-serving or potentially public-serving RLF programs



Programs potentially subject to DBA*

*Financial structures subject to DBA (excludes LLRs/IRBs)



TA Resources

- Support with federal requirements is the top state technical assistance need
- March 2023 RLF FAQ address questions related to federal requirements (BABA, DBA, NEPA)

RLF Issue Area: Compliance with RLF requirements

Audits: Energy audits funded with RLF dollars must meet specific RLF audit requirements including residential and commercial sector differences.

RLF Application Analysis

- RLF has extensive residential audit requirements: **21** states and **29** programs targeting residential sector (includes **7** grant programs)
- Audit requirement and navigating braiding: **23** state RLF applications mention other programs involving audits (*WAP, IRA Home Energy Rebates, Home Energy Score*)

180 days: BIL 40502 requires states to begin using a capitalization grant not more than 180 days after the date on which the grant is received.

RLF Application Analysis

- 180-day requirement and time-intensive partnership building: **27** states and **35** programs expected to be entering into a partnership (*LLR/IRB/Co-Lending program design*)

TA Resources

- Audit training and resources including audit compatibility across programs (*Coming soon*)
- FAQ on satisfying the 180-day requirement
- RLF Resource Library
- Direct TA with Berkeley Lab to discuss partnerships and meet 180-day requirement

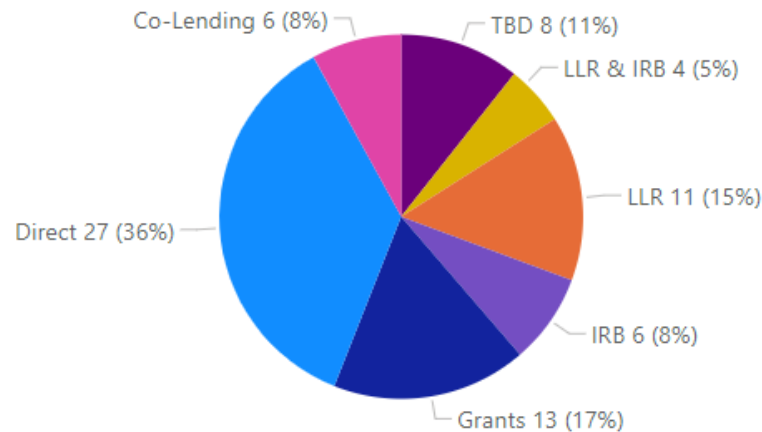
RLF Issue Area: Designing for Private Capital Leveraging

IIJA Section 40502: “[states] shall, to the maximum extent practicable, use the grant to leverage private capital.” Private capital leveraging can occur through a range of program design approaches, including credit enhancements (LLRs and IRBs), co-lending, and direct lending that incorporates secondary markets or bridge loans.

RLF Application Analysis

- **20** states (**27** programs) planning credit enhancements and/or co-lending models
- **22** states (**27** programs) planning direct RLFs

Financial instrument



TA Resources

- Direct TA with Berkeley Lab to discuss program design and leveraging options
- Spring 2023 Model RLF Webinar Series (leveraging through secondary market sales and bridge loans)
- RLF Resource Library
- Resources on underserved communities, driving uptake of loan programs, and much more! (*Coming soon*)

Greenhouse Gas Reduction Fund Grant Competition Programs



Competition Description

Number and Type of Grantees

Funding Available

Expected Impacts



National Clean Investment Fund

Fund 2-3 national nonprofits to partner with private capital providers to deliver financing at scale catalyzing tens of thousands of clean technology projects

2-3 national nonprofits

Nearly \$14B

Historic public sector investment with the scale to attract private capital leverage in clean projects, supporting the 2030, 2035, & 2050 climate goals of the United States and catalyzing tens of thousands of clean technology projects

Applications due: Oct. 12, 2023

Awards: Spring 2024



Clean Communities Investment Accelerator

Fund hub nonprofits to rapidly build clean financing capacity of networks of community lenders to finance pollution-reducing projects in low-income & disadvantaged communities

2-7 hub nonprofits

\$6B

Robust pipeline of thousands of community-led clean projects with meaningful benefits, generated by hundreds of community lenders capitalized by GGRF to start or expand clean lending in underserved communities



Solar for All

Support states, territories, Tribal & municipal governments, & nonprofits to expand access to solar for low-income & disadvantaged communities by priming markets for investment

Up to 60 states, Tribal & municipal governments, & eligible non-profit entities

\$7B

Energy bill savings and energy resiliency for millions of underserved American households via states, Tribal & municipal governments, & other recipients creating new or expanding existing low-income solar programs across the country

Applications due: Oct. 12, 2023

Awards: Spring 2024

Resources

- **State and Local Solutions Center**
 - Past financing toolkits, financing products and best practices
- **RLF Technical Assistance Resources**
 - Email the RLF team at EERevolvingLoanFund@hq.doe.gov
 - Request direct technical assistance with Berkeley Lab using the [RLF TA Request Form](#)
 - RLF Resource Library
- **Greenhouse Gas Reduction Fund**
- **DOE's State and Local Programs and Technical Assistance Resources**
 - Energy Savings Performance Contracts (ESPC) Campaign TA, Energy Efficiency and Conservation Block Grant (EECBG) Program TA, Home Energy Rebates Program Support, and more!

Contact us

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