



The EPA Greenhouse Gas Reduction Fund

**A Multi-Million Dollar
Capitalization Opportunity
for Native CDFIs to Finance
Clean Energy Projects in
Native Communities**





Introduction and Purposes

As part of the Native CDFI Network's ongoing efforts to provide education, information, and other assistance to its members, this white paper is intended to:

- provide Native CDFI members with a summary of the U.S. Environmental Protection Agency (EPA) Greenhouse Gas Reduction Fund (GGRF) and how GGRF funding can be accessed by Native CDFIs to capitalize clean energy project loan programs;
- provide examples of the types of loan products Native CDFIs can develop – in conjunction with grants and other financial assistance – to finance clean energy projects in Native communities; and
- propose recommendations for next steps Native CDFIs can take to prepare for and access the EPA GGRF.

Overview of the Inflation Reduction Act and Greenhouse Gas Reduction Fund

Inflation Reduction Act

The Biden-Harris Administration has prioritized a clean energy transition for the United States, with stated goals of decarbonizing the country's energy systems – including electricity, heat, and transportation – to mitigate climate change and comply with the Paris Climate Accords. In addition to various presidential executive orders and efforts on the part of the federal government, over the last two years Congress has enacted two major laws that will invest billions of dollars in the clean energy transition – the Infrastructure Investment and Jobs Act (aka the Bipartisan Infrastructure Law, or BIL)² and the Inflation Reduction Act (IRA)³. While the BIL features tens of billions of dollars in grants to state, local, and tribal governments for assorted clean energy efforts, the IRA contains new grant programs that target reducing carbon emissions and promoting decarbonization of the building and transportation sectors. In addition, the IRA authorizes tax benefits – including tax credits – that can be combined with grants that Tribal Nations, tribal enterprises, Native nonprofit organizations, and tribal citizens can access to finance clean energy projects such as solar, wind, geothermal, battery storage, electric vehicle (EV) purchases, and EV charging stations. One multi-billion dollar grant program that can be combined with tribal tax credits is the U.S. EPA Greenhouse Gas Reduction Fund – a Clean Air Act program.

¹This white paper, produced on behalf of the Native CDFI Network, provides information of a general nature. None of the information contained herein is intended as legal advice or opinion relative to specific matters, facts, situations, or issues. Additional facts and information or future developments may affect the subjects addressed in this document. You should consult with a lawyer about your particular circumstances before acting on any of this information because it may not be applicable to you or your situation.

²See *White House Bipartisan Infrastructure Law Tribal Playbook*, <https://www.whitehouse.gov/wp-content/uploads/2022/05/Bipartisan-Infrastructure-Law-Tribal-Playbook-053122-.pdf>.

³See *White House Guidebook to the Inflation Reduction Act for Indian Country*, <https://www.whitehouse.gov/wp-content/uploads/2023/04/Inflation-Reduction-Act-Tribal-Guidebook.pdf>.

Greenhouse Gas Reduction Fund (GGRF)

Funded at \$27 billion, the GGRF provides funding for states, Tribal Nations, municipalities, and other eligible entities to finance, provide technical assistance to, and build capacity to deploy low- or zero-emission technologies that will reduce greenhouse gas, carbon, and other pollutant emissions. GGRF funding is segregated into three programs:

1. \$7 billion in competitive grants to states, Tribal Nations, municipalities, and other eligible entities to provide financial and technical assistance for zero-emission technologies, including rooftop solar, in low-income or disadvantaged communities.
2. \$12 billion to be made available to eligible entities to leverage private investment through loan or equity investments in greenhouse gas reduction technologies.
3. \$8 billion in competitive grants to eligible entities for low-income, disadvantaged communities.

Of key importance to Native community development financial institutions (CDFIs), “eligible entities” are defined as nonprofit entities that: (a) provide capital or leverage private capital to deploy low- or zero-emission technologies and projects; (b) are not depository institutions; (c) are funded by public or charitable dollars; and (d) can invest in projects alone or with other investors.

Funding can be used for two types of “investment” – direct and indirect. Direct investments consist of financial support made directly to a greenhouse gas reduction technology project. An indirect investment is financial or technical assistance made to entities that will invest in such projects.

GGRF Implementation and Application Funding Opportunities

In April 2023, the EPA issued updated Implementation and Application Guidance (Guidance)⁴ that provides information on how the GGRF funding will be allocated, who is eligible to apply, and potential application requirements. As of the date of this white paper, EPA has issued Notices of Funding Opportunity (NOFOs) for three

competitions under the GGRF: (1) National Clean Investment Fund; (2) Clean Communities Investment Accelerator; and (3) Solar For All:

The *National Clean Investment Fund*⁵ competition will provide \$14 billion “to fund two to three national nonprofits that will partner with private capital providers to deliver financing at scale to businesses, communities, community lenders, and others, in the process catalyzing tens of thousands of clean technology projects to accelerate progress towards energy independence and a net-zero economic future.” EPA has stated a commitment to evaluate applicants to the National Clean Investment Fund competition regarding their plans to engage and invest in Tribal communities.⁶

The *Clean Communities Investment Accelerator* (CCIA) competition⁷ will provide \$6 billion to “fund between two and seven ‘hub’ nonprofit organizations who possess the plans and capabilities to rapidly build the clean energy financing capacity of specific networks of public, quasi-public, and nonprofit community lenders – including Native and non-Native CDFIs, credit unions, green banks, housing finance agencies, and minority depository institutions – to ensure that households, small businesses, schools, and community institutions in low-income and disadvantaged communities have access to financing for cost-saving and pollution-reducing clean technology projects”⁸ (see visual example in graphic on page 4).

Some key features of this competition include:

- **Eligible Applicants.** These are defined as Eligible Entities, as defined above, or coalitions. For coalition applications, the lead entity must be an Eligible Entity. Coalition members can be other eligible entities, nonprofits, inter-tribal consortium, or higher education institutions. Coalition partners will receive subawards to carry out activities under the program plan (such as technical assistance, community engagement, etc.). Native CDFIs can participate as coalition partners, but then would not be eligible for capitalization funding.
- **Application Information.** The Applicant must submit a program plan, a description of its capabilities, a technical assistance plan, capitalization and investment plans, community

⁴ Implementation Framework (Apr. 2023),

https://www.epa.gov/system/files/documents/2023-04/GGRF%20Implementation%20Framework_730am.pdf

⁵ National Clean Investment Fund, Notice of Funding Opportunity,

<https://www.grants.gov/web/grants/view-opportunity.html?oppld=349234>

⁶ See Implementation Framework, p. 9.

⁷ Clean Community Investment Accelerator, Notice of Funding Opportunity,

<https://www.grants.gov/web/grants/view-opportunity.html?oppld=349233>

⁸ See Implementation Framework, p. 25.

and labor engagement plans, and a benefits plan. EPA purportedly will evaluate applicants on their plans to invest in financial institutions serving Tribal Nations; however, there are no requirements to develop such plans.

- **Community Lenders.** The Applicant must also describe its community lender network, show that the network will cover all EPA regions, and design programs that support the network of community lenders in financing eligible projects and building sustainable capacity to finance projects in the future. Community lenders in the network are eligible for up to \$10 million in capitalization funding and up to \$1 million for technical assistance and support. Community lenders are defined as public, quasi-public, not-for-profit, or nonprofit lenders, which would include Native CDFIs. This means that Native CDFIs that participate in a community lender network can receive up to \$10 million in funding to capitalize project loans and receive technical assistance from the Grantee.
- **Pass-Through Requirements.** A Hub Grantee must pass through 90% of its grant award to its community lender network. Funds must be expended within six years.
- **Project Investments.** Community lenders must support deployment of qualified projects in the project priority categories (listed below) by providing financial assistance to those projects. One hundred percent of funds must be invested in low-income, disadvantaged, or tribal communities. Financial assistance is defined

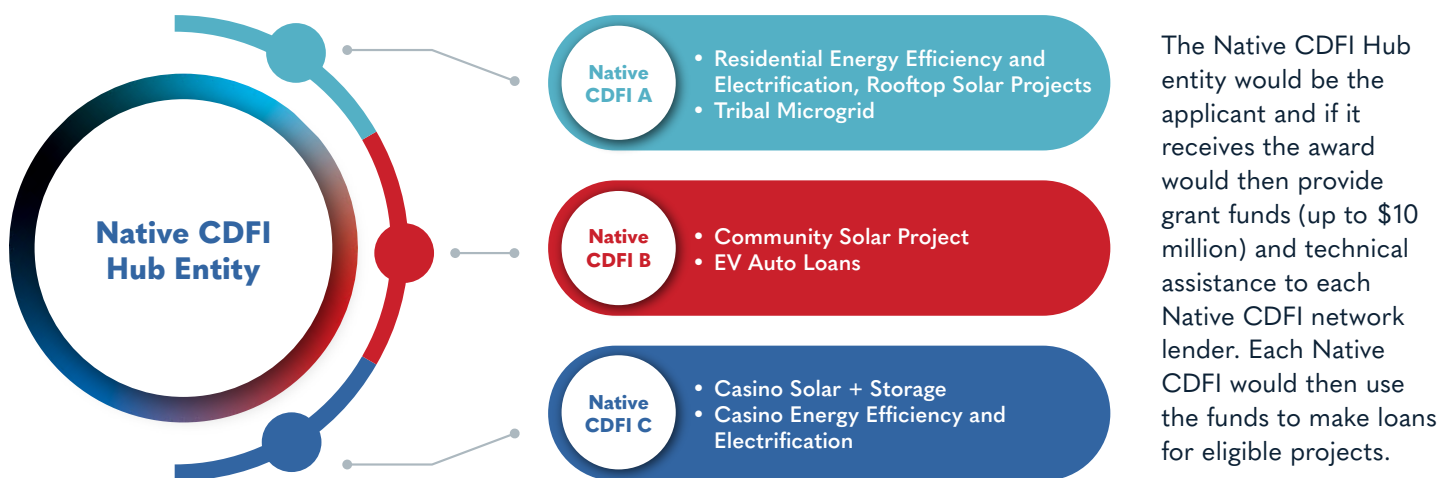
as “loans, equity investments, loan guarantees, credit enhancements, forgivable and partially forgivable loans, lines of credit, purchase of loans, and debt with equity features.”⁹ Program income must be reinvested in project financial assistance.

- **Qualified Projects.** All projects must fall within the following Priority Categories:
 - Distributed energy generation and storage
 - Rooftop or community solar
 - Microgrids
 - Distributed wind
 - Stand-alone storage
 - Net-Zero Emissions Buildings
 - Electrification/energy efficiency
 - School building space and water heating
 - Replacement of backup diesel generators with storage
 - Community facility retrofits
 - Zero Emissions Transportation
 - Fleet electrification
 - EV charging stations
 - Clean mobility projects

Applications are due October 12, 2023.¹⁰

NOTE: The Native CDFI Network plans to become a “Hub” entity applicant for the CCIA competition and invites potential partners to share their interest with NCN by clicking [here](#).

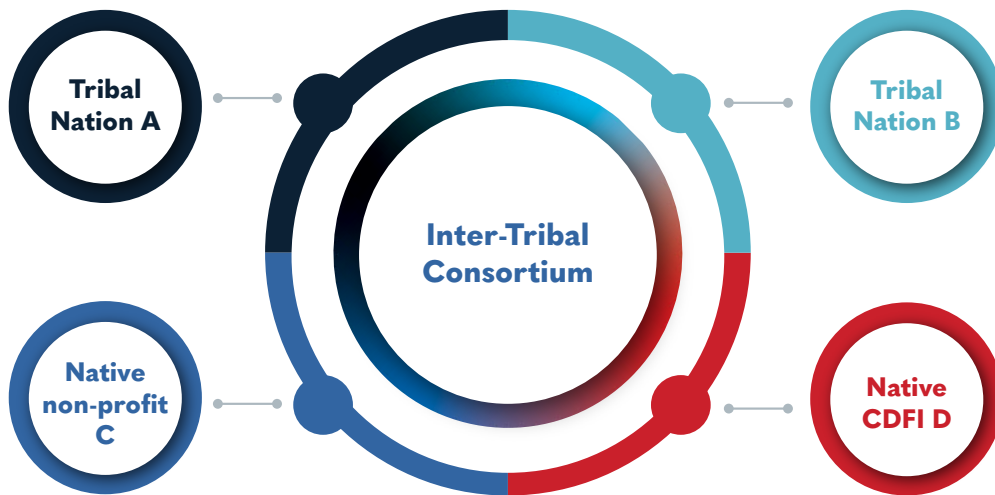
Example of a Native CDFI Clean Community Innovation Accelerator “Hub”



⁹ See CCIA NOFO, p. 9, <https://www.grants.gov/web/grants/view-opportunity.html?oppId=349233>.

¹⁰ See CCIA NOFO for application documents and information.

Example of a Solar for All Coalition for Indian Country



A coalition approach can bring more resources to deploy projects. For example, the lead entity can bring on Native CDFIs to provide additional funding, a non-profit to support technical assistance needs, and specific Tribal Nations to receive the grant and financial and technical assistance. Native CDFIs could also attract private investors to fund loans or other incentives to support residential solar projects.

The *Solar for All* competition will provide \$7 billion for up to 60 grants to states, Tribal Nations, municipalities, and nonprofit organizations to expand the number of low-income and disadvantaged communities that are primed for residential and community solar investment – enabling millions of families to access affordable, resilient, and clean solar energy.

Some key features of this competition include:

- Tribal Nations, inter-tribal consortia, and other eligible entities (see infographic above) are eligible to apply for the competition. These entities can also serve as the lead for a coalition of entities (including governmental entities, nonprofits, and higher education institutions). Native CDFIs can participate as coalition partners or as subgrantees.
- EPA will award up to five grants for programs that will serve American Indian or Alaska Native communities.
- Projects are limited to residential rooftop solar or community solar that benefit low-income residents. Funds can also be used for other enhancements related to solar projects, such as roof structure improvements, wiring and electrical box upgrades, and energy efficiency projects.
- Financial assistance includes subgrants, rebates, incentives, subsidies, or loans.

- Programs that support Native communities can use up to 35% of funding for technical assistance to Native communities or projects and program administration.
- Grantees must expend all of the awarded funds within five years, with a start date of July 2024.

Tribal applicants must submit a Notice of Intent by August 28, 2023 and full applications are due September 26, 2023.¹¹

NOTE: The Native CDFI Network plans to create with partners an intertribal consortium to apply for Solar for All. NCN invites potential partners to share their interest with NCN by clicking [here](#).

Clean Energy Finance Options: Putting GGRF Funding to Work in Indian Country

With substantial experience lending to tribal citizens, Native-owned small businesses, tribal enterprises, and tribal governments, Native CDFIs are uniquely positioned to leverage the GGRF for Indian Country to support clean energy project deployment in Native communities. While there are many different types of loans or investments that can be made for clean energy projects, this paper focuses on three types of loans that are likely to have the

¹¹ See *Solar for All NOFO* for further information on Notice of Intent and Application requirements, <https://www.epa.gov/newsreleases/biden-harris-administration-launches-7-billion-solar-all-grant-competition-fund>.

greatest impact and benefits to Tribal Nations and their citizens. The tables that follow provide a summary of the examples, with a rough calculation of how a Native CDFI can estimate loan amounts and other incentives available to the borrower(s) for the clean energy projects.

Individual / Personal Loans

(Range: \$5,000 to \$45,000)

These loans would finance rooftop solar, energy efficiency, electrification, and EV car loans to individual tribal citizens living on and/or off of tribal lands. A typical rooftop solar project costs approximately \$20,000. EV costs can be as low as \$15,000 to \$25,000 (with used car costs even lower). Car loans can range from four to six years, while rooftop solar loans can range from 10 to 20 years. Energy efficiency (EE) and electrification loans are typically no more than 10 years. To mitigate some of the lender risk, individual tribal citizens may also be eligible for tax credits or rebates, which can be used to pay down the loan.¹² Tribal Nations might also receive grants to help offset the costs. Finally, these loans will also typically be secured, either by the equipment, the car, or the energy project.

The following table shows some examples of how tax credits and grants or rebates from the BIL or IRA can reduce the tribal citizen's total borrowing requirements for a particular type of project.

Type of Loan	Project Costs/Initial Loan Amount	Credit/Rebate	Net Loan Amount
Rooftop Solar	\$20,000	30% tax credit \$6,000 or \$6,000 grant	\$14,000
EE/ Electrification	\$15,000	\$14,000 rebate	\$1,000
EV Auto	\$25,000	\$7,500	\$17,500

Tribal Government Loans

(Range: \$500,000 to \$25 million)

These loans could be made to tribal governments either as bridge loans, construction loans, or as permanent financing for larger-scale clean energy projects such as community or commercial rooftop solar, distributed wind, microgrids, and battery storage. The costs of the projects will depend on the size of the project, with costs to install ranging from \$2 to \$5 per watt. For example, a 5 megawatt (MW, which is 1 million watts) solar project with storage can cost approximately \$12 million. A 5 MW microgrid can cost as much as \$25 million. Tribal governments are eligible for several types of grants, including the GGRF, and are also now eligible to receive tax credit payments under the IRA.¹³ These grants and tax credits will substantially buy down a loan – but a tribal government may not receive the grant funds until the project is under construction and won't receive the tax credit payments until the year after the project is placed into operation.¹⁴ Therefore, a Native CDFI can lend GGRF funds to a tribal government to develop and construct the project and structure the loan to be repaid or paid down once the government receives its grant and/or tax credit.

The following table shows some examples of how tax credits and grants can reduce the tribal government's total borrowing requirements for a particular type of project.

Type of Project	Estimated Cost/Initial Loan Amount	Grant/Credit	Net Loan Amount
Community Solar	\$12 million	\$4 million grant \$7.2 million credit	\$800,000
Microgrid	\$25 million	\$5 million grant \$12 million credit	\$8 million
Rooftop Solar	\$ 5 million	\$1.5 million grant \$3.5 million credit	\$0

¹² See *Rewiring America Fact Sheet on Residential Tax Credits*, https://assets.ctfassets.net/v4qx5q5o44nj/3FYfJiYMILiXGFghFEUx0D/279f180456183d560d9c68d4de8baa67/factsheet_25C_25D.pdf.

¹³ See *Inflation Reduction Act, Sec. 6417*; see also *IRS Elective Pay for Tribal Governments*, <https://www.irs.gov/pub/irs-pdf/p5817f.pdf>.

¹⁴ For example, the DOE Office of Indian Energy grant program is a "reimbursable grant." The IRS Elective Pay rule will require Tribal Nations to file tax returns to receive the tax credit payment.

Tribal Enterprise Loans (RANGE: \$500,000 TO \$50 MILLION)

Like the Tribal Government Loans, a Native CDFI can make a loan to a tribal enterprise or tribal citizen-owned small business funded from the GGRF for bridge loans, construction loans, or as permanent financing for larger-scale clean energy projects or commercial vehicle purchases. Tribal enterprises may also qualify for tax credit payments, and tribal citizen-owned businesses will also be eligible for renewable energy tax credits. Either may also be eligible for grants depending on their structure. Between tax credit payments and grant funding, the loan can be paid down substantially or paid off entirely. These additional incentives reduce the risk to the Native CDFI lender and allow for re-lending GGRF funds to other projects – as anticipated by the program.

The following table shows some examples of how tax credits and grants can reduce the total borrowing requirements for a particular type of project.

Type of Project	Estimated Cost/ Initial Loan Amount	Tax Credit	Net Loan Amount
Utility Scale Solar (25 MW)	\$50 million	\$25 million	\$25 million
Commercial EV Fleet (10 cars)	\$500,000	\$75,000	\$425,000
Commercial Rooftop (2 MW)	\$ 5 million	\$3 million	\$2 million

Recommendations for Native CDFIs to Establish a GGRF-Funded Clean Energy Finance Loan Program

Participate in the GGRF

Native CDFIs should strongly consider joining together to form a community lender network for a “Native hub” coalition to apply for funding under the CCIA competition. Alternatively, an individual Native CDFI can join another separate lender network. Assuming the Native hub applicant is selected for an award, each Native CDFI that has joined the lender network should receive up to \$10 million to capitalize the loan programs offered by the Native CDFI (such



Blue Lake Rancheria Chairperson Claudia Brundin (right) turns on one of the tribe's solar arrays (Courtesy: Blue Lake Rancheria Tribe)

as the new loan programs discussed above). Each Native CDFI would also be able to receive up to \$1 million in technical assistance subawards, which can be used for procuring training, market analysis, and technical support; hiring staff; developing new financial products; supporting predevelopment activities, such as site and building assessments (e.g., energy audits), financial and technological feasibility studies (e.g., solar resource studies), design and engineering support, and permitting support; and other activities. Native CDFIs will likely have to join a community lender network for a CCIA hub applicant at the time of the application because the application funding request will likely be driven by the number of community lenders in the proposed network.

In addition, Native CDFIs can work with a coalition of Tribal Nations or intertribal organizations to receive funding from the Solar for All program. As discussed above, the Solar for All funding



A Navajo Tribal Utility Authority crew installs solar panels (Courtesy: Navajo Tribal Utility Authority)

is limited to residential rooftop solar or community-scale solar projects. Native CDFIs, as part of a Solar for All coalition, can receive a subaward/grant to provide the short-term loans necessary to cover the difference in costs between tax credits, grants, and incentives available for residential solar projects. Native CDFIs can join a tribal program at any time over the five-year program period.

Identify the Market

One critical challenge to understanding the opportunities for Native CDFIs to receive and deploy GGRF funds for clean energy projects is identifying the borrowers, the Indian Country “market,” and lending opportunities. This likely will require Native CDFIs and their investment or tribal government partners to identify the clean energy project market, determine the demand for funding, and attempt to compile a list of tribal government shovel-ready projects or planned projects within the Native CDFIs’ investment area or geographic region. Technical assistance funding from the CCIA can support these efforts.

Develop Capabilities and Capacity

While Native CDFIs have, in many cases, substantial lending experience in Indian Country, most do not have experience making loans for clean energy projects. In addition to standard loan underwriting processes and criteria, Native CDFIs will need to evaluate the financial and technical viability of the proposed clean energy project. Native CDFIs that join a community lending network under a CCIA-funded program can also receive up to \$1 million for technical assistance support. In addition, the Hub Grantee can also provide technical assistance services, such as targeted support activities for individual community lenders, such as providing training, market analysis, technical support, and structuring expertise. The Hub Grantee can also support financial market-building activities spanning multiple community lenders, such as developing standardized project performance criteria, underwriting guidance, documentation, and product features.



Other ways to build capacity include:

- Partnering with clean energy finance lenders or the national nonprofit organizations selected under the National Clean Investment Fund.
- Attending training programs, such as the University of New Hampshire Solar Lending Professional Training,¹⁵ a program intended to “cover the knowledge, skills, and practices you need to engage in solar lending, including market assessment, product development, working with solar installers and developers, underwriting and deal structuring, and program and asset management.”
- Seeking technical assistance from the U.S. Department of Energy or Department of Agriculture loan program staff.

Consider Partnering to Secure Investment

Another approach to capacity building and the capitalization of loan programs is to work with other clean energy lenders and investors that have experience in clean energy finance. Many Native CDFIs have experience with private investors or philanthropic organizations that invest or make contributions to Native CDFIs to reinvest in Native communities. Native CDFIs could create targeted investment

programs – focused on clean energy finance and investment vehicles (such as green banks or impact investment funds) – that can leverage lending or investment experience and additional funding to support their participation in either GGRF program. Furthermore, the investment partners that provide additional capital will also help mitigate risk (in the event a borrower does not repay the loan or the project fails), will allow for investments in and loans to larger projects that might be part of a larger economic development efforts, and expand the types of financial support a Native CDFI can bring to clean energy projects in Native communities.

Conclusion

In short, Native CDFIs can serve a crucial role in supplying short-term to long-term financing for clean energy projects in Native communities. The GGRF will provide a substantial source of funds to capitalize this financing for tribal members, tribal governments, and tribal enterprises to participate in the clean energy transition. Native CDFIs that are interested in this new area of lending are encouraged to participate in lender networks under the CCIA or as part of a coalition under Solar for All, begin to build capacity, develop new loan programs, and seek out clean energy investment partnerships to leverage the GGRF funds deployed in Native communities.

¹⁵ See <https://carsey.unh.edu/center-for-impact-finance/education-and-trainings/solar-lending-training-series#:~:text=The%20Solar%20Lending%20Professional%20Training,are%20interested%20in%20increasing%20their.>



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About NCN

The Native CDFI Network (NCN) was formed in 2009 to unify Native CDFIs serving Native trust land communities, American Indians, Alaska Natives, and Native Hawaiians. NCN's mission is to be a national voice and advocate that strengthens and promotes Native community development financial institutions (CDFIs) and increases access to capital and resources for Native peoples.

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