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EPA's Greenhouse Gas Reduction Fund (GGRF)

On August 16, 2022, President Biden signed H.R. 5376 (P.L. 117-169), a budget reconciliation measure commonly referred to as the Inflation Reduction Act of 2022 (IRA). IRA contains eight titles, each with some provisions that directly or indirectly address issues related to climate change, including the reduction of U.S. greenhouse gas (GHG) emissions and the promotion of adaptation and resilience to climate change impacts.

IRA Section 60103: Greenhouse Gas Reduction Fund

Section 60103 of IRA (codified at 42 U.S.C. §7434) amends the Clean Air Act to provide for a Greenhouse Gas Reduction Fund (GGRF) to be administered by the U.S. Environmental Protection Agency (EPA). The provision appropriated \$27 billion to EPA for FY2022, out of money in the Treasury not otherwise appropriated, to remain available until September 30, 2024, to make grants, on a competitive basis, as follows:

- \$7.0 billion to states, municipalities, tribal governments, and eligible recipients for the purposes of providing grants, loans, or other forms of financial assistance, as well as technical assistance, to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies;
- \$11.97 billion to eligible recipients for financial and technical assistance for qualified projects;
- \$8.0 billion to eligible recipients for financial and technical assistance for qualified projects in low-income and disadvantaged communities; and
- \$30.0 million for agency administrative costs.

IRA defines “eligible recipient” as a nonprofit organization that

- is designed to provide capital, leverage private capital, and provide other forms of financial assistance for the rapid deployment of low- and zero-emission products, technologies, and services;
- does not take deposits other than deposits from repayments and other revenue received from financial assistance provided using grant funds under IRA;
- is funded by public or charitable contributions; and
- invests in or finances projects alone or in conjunction with other investors.

IRA defines “qualified projects” to include any project, activity, or technology that reduces or avoids GHG emissions and other forms of air pollution in partnership with, and by leveraging investment from, the private sector.

Eligible recipients that meet the above definition may use the grant funding for

- direct investments in the form of financial assistance for a qualified project or
- indirect investments in the form of funding and technical assistance to support new or existing public, quasi-public, or nonprofit entities that in turn provide financial assistance to qualified projects at the state, local, territorial, or tribal level, including community- and low-income-focused lenders and capital providers.

IRA directs EPA to begin this process not later than 180 calendar days after the date of enactment (i.e., not later than February 12, 2023). Section 60103 does not explicitly state additional requirements that would apply to EPA or its grant recipients, such as general federal requirements for grants and agreements.

EPA Implementation

Upon enactment of IRA, EPA launched a stakeholder engagement strategy to help shape implementation of the GGRF. EPA conducted listening sessions for members of the public and stakeholder groups on November 1 and November 9, 2022. EPA published a Request for Information seeking public comment on core design aspects of the GGRF. Further, EPA delivered a set of formal charge questions for expert review and comment at the October 18-19, 2022, meeting of the agency's Environmental Financial Advisory Board (EFAB). On January 26, 2023, EFAB submitted guidance and considerations to EPA regarding the GGRF's potential objectives, program structure, execution, reporting, and accountability. In its review, EFAB assessed the strengths and weaknesses of various design elements of the fund including financial leverage, additionality (i.e., whether project proposals would proceed in the absence of the GGRF), capital recycling, capacity building, and long-term operability across various recipient types including states, municipalities, tribes, regional collectives, sectoral collectives, lender intermediaries, and a national entity.

On February 14, 2023, EPA reported initial guidance on the design of the GGRF program. At the time, EPA announced plans to hold two competitions to distribute the grant funding: a \$20 billion General and Low-Income Assistance Competition and a \$7 billion Zero-Emissions Technology Fund Competition.

On April 19, 2023, EPA released additional guidance on the implementation framework for the GGRF. The guidance proposed splitting the majority of the \$27 billion between national and community groups across three competitions: a \$14 billion National Clean Investment Fund; a \$6 billion Clean Communities Investment Accelerator; and a \$7 billion Solar for All competition. Each competition would be administered separately. The guidance also identified three priority project categories for the competitions beyond the Solar for All investments: (1) zero-emissions distributed power generation and storage; (2) retrofits to decarbonize existing buildings; and (3) transportation pollution reduction that supports zero-emissions transportation modes, especially in communities experiencing diesel pollution and other poor air quality.

EPA stated that the implementation framework was “intended to provide continued transparency and respond to stakeholder requests for additional information on EPA’s anticipated program design and application requirements in advance of the Notices of Funding Opportunity that will formally kick off the application process as early as June 2023.” As proposed, the implementation framework steps away from a conceptualization of the GGRF as a single national entity—a design supported by some stakeholders and Members of Congress. EPA announced six public listening sessions and requested written technical feedback and comments on the implementation framework by May 12, 2023.

Notices of Funding Opportunities

EPA released the three GGRF Notices of Funding Opportunities during the summer of 2023.

- On June 28, 2023, EPA released the \$7 billion Solar for All Notice of Funding Opportunity. The competition aims to award up to 60 grants to states, territories, tribal governments, municipalities, and eligible nonprofit recipients to expand the number of low-income and disadvantaged communities that could be made available for distributed solar investment. Grantees are to use the funds to expand existing low-income solar programs or design and deploy new Solar for All programs nationwide.
- On July 14, 2023, EPA released the \$14 billion National Clean Investment Fund Notice of Funding Opportunity. The competition aims to provide grants to 2-3 national nonprofit clean financing institutions capable of partnering with the private sector to provide accessible, affordable financing for clean technology projects across the country.
- On July 14, 2023, EPA released the \$6 billion Clean Communities Investment Accelerator Notice of Funding Opportunity. The competition aims to provide grants to 2-7 hub nonprofits that would, in turn, deliver funding and technical assistance to build the clean financing capacity of local community lenders working in low-income and disadvantaged communities.

Announcement of Awards

On April 4, 2024, EPA announced selections for the National Clean Investment Fund and the Clean Communities Investment Accelerator. Collectively, EPA estimates that the selected applicants would mobilize almost \$7 of private capital for every \$1 of federal funds and would dedicate over \$14 billion of capital (over 70% of the selections for awards) toward low-income and disadvantaged communities. EPA estimates that the funded projects would ultimately reduce or avoid up to 40 million metric tons of GHG emissions per year. The National Clean Investment Fund selectees were Climate United Fund (\$6.97 billion award), Coalition for Green Capital (\$5 billion award), and Power Forward Communities (\$2 billion award). The Clean Communities Investment Accelerator selectees were Opportunity Finance Network (\$2.29 billion award), Inclusiv (\$1.87 billion award), Justice Climate Fund (\$940 million award), Appalachian Community Capital (\$500 million award), and Native CDFI Network (\$400 million award).

On April 22, 2024, EPA announced selections for the Solar for All program. The 60 selected applications include 49 state-level awards, 6 awards to Tribes, and 5 multistate awards. EPA estimates that the \$7 billion in grant awards would deliver residential solar projects to over 900,000 households nationwide.

EPA anticipates that awards to the selected applicants would be finalized by July 2024, and that projects would be funded by the selected applicants and their partners thereafter.

Congressional Considerations

Beyond the GGRF’s authorization under IRA, Congress has looked to oversee EPA’s implementation of the program. Some Members support the fund’s aims to leverage private-sector actors and their funding toward climate- and environmental justice-focused initiatives. Other Members voice concerns over possible conflicts of interest with funding recipients; the potential for waste, fraud, and abuse of taxpayer money; the challenges to program implementation given supply chain challenges in the solar market; and constitutional law questions regarding the private nondelegation doctrine and the application of the Appointments Clause of the Constitution.

Selected bills that include provisions regarding the GGRF proposed in the 118th Congress include

- H.R. 1, Lower Energy Costs Act, in which section 10015 of the version engrossed in the House would repeal the GGRF and rescind all unobligated balances;
- H.R. 1023, which would repeal the GGRF and rescind all unobligated balances; and
- H.R. 2811, Limit, Save, Grow Act of 2023, in which section 10014 would repeal the GGRF and rescind all unobligated balances.

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