# Getting Deployment Ready for Energy Sovereignty

## 9th Annual Native CDFI Capital Access Convening

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Tamalpais Trust Fund of RSF Social Finance

TIWA Lending Services

# Diving in

| | | |
|---|---|---|
| Introduction | Inflation Reduction Act 2022 | GGRF<br>• Solar for All<br>• Clean Communities Investment Accelerator |
| Project Risks and Challenges | Program Compliance | Q&A |

# Meet the team


**Joel Laubenstein**
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**Senior Consultant**
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# The team's background

**TOP 10**
accounting and advisory firm

**80+**
energy development advisory subject matter experts

Deep financial structuring capabilities and federal fund compliance expertise

Dedicated team with a 20-year history of advising CDFIs

**10+ years**
with a dedicated Tribal Services Practice

Industry-specific, energy transition and tax credit qualifications

Community engagement experience

# Tribal services

Dedicated Tribal service practice for over 10 years

- Audit
- Compliance/internal audit
- Outsourced accounting, grant writing and grant compliance
- Housing
- New market tax credits
- Energy and infrastructure
    - Energy
    - Broadband
    - Sewer and water

https://www.bakertilly.com/industries/tribes

# Inflation Reduction Act

- Signed into law August 16, 2022
- 728 pages
- “Tribal” is referenced 32 times
- “Indian” is referenced 49 times
- “Environmental Justice” is referenced 11 times

# IRA appropriates $370B for clean energy


**Energy tax credits**

- Section 48 clean energy investment tax credit
- Section 45 clean energy production tax credit
- Section 30C Installation of EV chargers tax credit
- 179D commercial and multifamily tax deduction

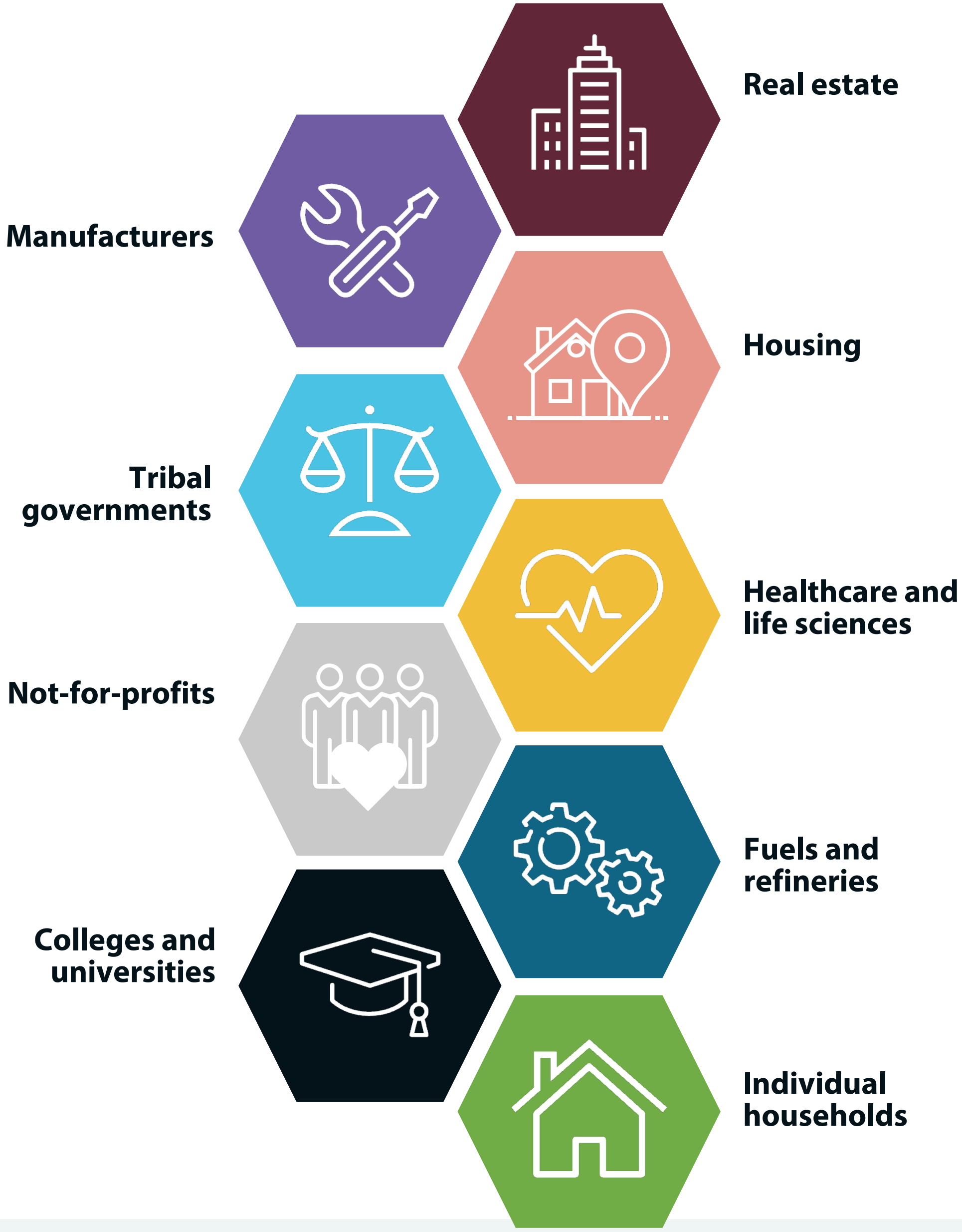
**$27 billion in Greenhouse Gas Reduction Fund appropriation**

- $14 billion in National Clean Investment Fund
- $7 billion in Clean Communities Investment Accelerator
- $6 billion in Solar for All

# IRA tax credits "101"

- The Act provides for a direct **offset to federal tax liability** in the form of a tax credit.
- Three ways credits bring value to projects:
    1. Owner(s) can simply **use the tax credit** against their own tax liability, in most case back three years and forward 22 years.
    2. If owner(s) doesn't have tax liability or taxable income, they can now sell certain credits to another taxpayer* ("**Transferability**").
    3. Tribes, Tribal Organizations, Alaska Native Corporations can receive a "direct payment" in the form of cash payment from the IRS. These include state and local governments, not-for-profits, tribes and others ("**Direct Pay**") for certain credits.

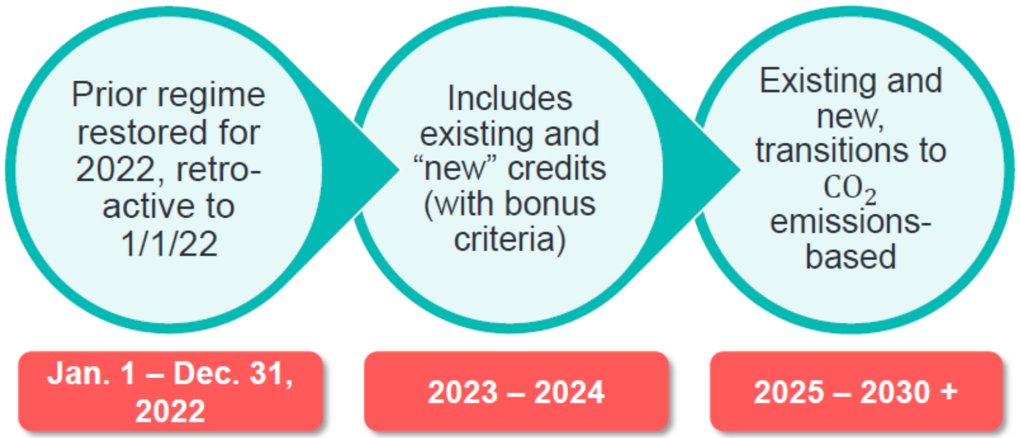
Essentially, the act is enabling ALL entities to utilize this legislation regardless of tax status.



# Inflation Reduction Act

- Over **70 separate property** types eligible for credits in IRA regime
- All but a few of these credits are entitlement credits
- Most credits are effectively good thru 2032 – the longest U.S. "energy policy" timeframe ever

Timeline summary:



# Section 48 – Investment Tax Credit

## Eligible project examples

- Combined heat and power property
- Solar and wind
- Energy storage technology
- Waste energy recovery property
- Geothermal energy
- Biogas property

**Use of tax-exempt funding for project – tax credit** − 15%

**Environmental justice (for solar and wind)** + 10% or 20%

*2% base up to*

**Energy community** + 10%

*Likely credit value can be 6-50% of manufacturing project's eligible base*

*2% base up to*

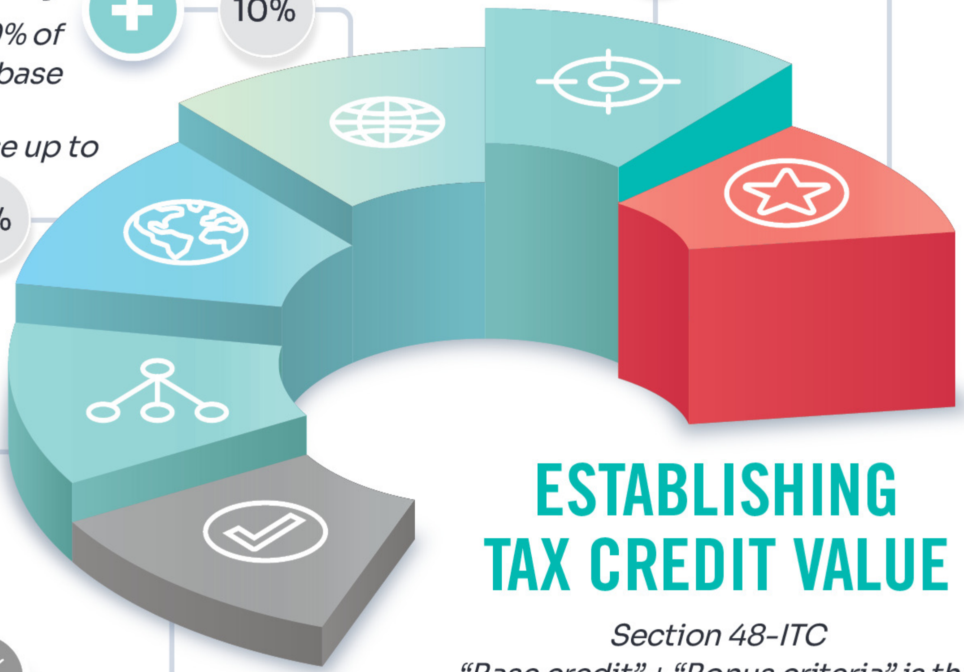
**Domestic content** + 10%

*There is a 10% reduction in the tax credit beginning in year 2024, 15% in 2025, and 100% in 2026 for direct pay projects not meeting DC requirements*

*Projects under 1 megawatt can achieve the 5x multiplier without prevailing wage and apprenticeship requirements.*

**Or base credit w/ prevailing wage and apprenticeship (5x multiplier)** + 30%

**Base credit — e.g., 6% property type** ✓



## ESTABLISHING TAX CREDIT VALUE

*Section 48-ITC*
*"Base credit" + "Bonus criteria" is the overriding theme of the new credit regime*

**Projects that completed construction after 1/1/23 may be eligible. Not all credits apply to all projects.**

*ects*

# The "carrots" – elective pay

**30%**

Base credit + prevailing wage

**10%**

Domestic content

**10%**

Energy community

**20%**

Low income / Environmental justice

**70%**

Potential total maximum credit amount

## Election Year Speculation:

# The IRA under a Republican Administration

- To make immediate and wholesale changes, (R) would need 60 senate seats (11 more than current)
- If a change in administration, debate on any changes will likely commence in 2025, with any legislative changes in 2026
- Would coincide with expiry of the 2017 tax cuts and jobs act in 2027
- Most agencies looking to deploy funds to awardees prior to election

# What is the GGRF?

The Greenhouse Gas Reduction Fund (GGRF) provides states, investors, developers, Community Development Financial Institutions (CDFIs) and other community lenders, tribes and tribal entities an opportunity to bring renewable energy, net-zero buildings and zero-emission transportation to disadvantaged communities.

- The GGRF has a **$27 billion** allocation administered through the Environmental Protection Agency (EPA). This initiative aims to increase options for structuring capital for clean energy projects in low-income or disadvantaged communities and be a catalyst for the emergence of green banks.
- Of the $27 billion, $14 billion is available through the **National Clean Investment Fund**, $6 billion through the **Clean Communities Investment Accelerator** and $7 billion through **Solar for All.**

# GGRF overview

| | National Clean Investment Fund (NCIF) | Clean Communities Investment Accelerator (CCIA) | Solar for All (SFA) |
|---|---|---|---|
| *Recipients* | 2-3 “Green Banks” | 5 hub not-for-profits | 60 incl states, AIAN and multi-state non-profits |
| *Sub-recipients* | Borrowers (developers, contractors, not-for-profits) | Community lenders | Contractors, Tribes, and not-for-profits |
| *Uses* | Distributed energy generation and storage<br>Net-zero emissions buildings<br>Zero-emissions transportation | | Residential rooftop solar<br>Residential-serving community solar<br>Associated storage<br>Enabling upgrades |

# “Qualified projects”

**<u>NCIF Qualified Project</u>**

The six-part definition requires each project to

- reduce greenhouse gas emissions
- reduce other air pollutants
- deliver benefits to communities
- meet the requirement that it may not have otherwise been financed
- mobilize private capital
- support only commercial technologies

**<u>CCIA Qualified Project</u>**

Meet the six-part definition of a “qualified project”

AND at least one of three “priority project categories:”

(i) distributed energy generation and storage

(ii) net-zero emissions buildings

(iii) zero-emissions transportation

# Solar for All

## GREENHOUSE GAS REDUCTION FUND

Solar For All

# Overview

Through financial assistance (i.e., grants, subsidies, rebates, loans or other incentives) and technical assistance, communities, developers and homeowners can transition residential properties to be powered by solar energy. Significant funding has been allocated to Tribal organizations and Non-Tribal Organizations whom have committed to tribal set asides.

**Investment amount**: $7 billion

**Eligible entities**: 60 state and not-for-profits including housing authorities, not-for-profits, developers, local governments and tribes

**Qualified projects**: residential rooftop solar, residential-serving community solar, associated storage and enabling upgrades

**Eligible projects must meet the following criteria**:

- Must be a qualified project
- Must be in a low-income and disadvantaged community. Use the Climate and Economic Justice Screening tool (CEJST) to identify eligible Justice40 communities.

Solar For All

# Tribal focused awardees

| Awardee | Award | Service Area |
|---|---|---|
| Tanana Chiefs Conference | $62.5 MM | AK |
| Midwest Tribal Energy Resources Assn. | $62.3 MM | MI, MN, WI |
| GRID Alternatives – Western Indigenous Network | $62.5 MM | AZ, CO, NV, NM, UT |
| Oweesta Corporation | $156 MM | National |
| Hopi Utilities Corporation | $25.1 MM | Hopi Tribe |
| Northern Plains Tribal SFA | $136 MM | ND, SD, MT, WY, WI |
| **Total** | **$442 MM** | |

## Solar For All

# State awardees – known Tribal specific goals

| State | Award |
|---|---|
| Washington | $156 MM |
| Montana | $43.7 MM |
| Wyoming | $30.3 MM |
| Idaho | $56.5 MM |
| Nebraska | $62.5 MM |
| Nevada* | $156 MM |
| North Carolina | $156 MM |
| Arizona | $156 MM |
| Minnesota | $62.5 MM |
| North Carolina | $156 MM |

Solar For All

# Non-Tribal awardees with Tribal set asides

| | |
|---|---|
| Bonneville Environmental Foundation (MT) | $43.7 MM |
| Bonneville Environmental Foundation (WY) | $30.3 MM |
| Bonneville Environmental Foundation (ID) | $56.5 MM |
| Nevada Clean Energy Fund (NV) | $156 MM |

## Solar For All

# Reading the Tea Leaves

### Summer 2024

- Recipients negotiate and finalize funding awards with EPA

### Summer 2024 - Spring of 2025

- Recipients onboard capacity for program execution, finalize program plans

### Summer of 2025

- Most programs should be launched with funding available

### 2025 – 2030

- Program execution and funding deployment

## Solar For All

# Takeaways

- **Tribes, Tribal Housing Authorities**
  - Feasibility
  - Preliminary design to "construction ready"
  - Operations/asset management plan
  - Understand and plan for compliance
  - Monitor status of SFA prime awardees
- **CDFIs/Community Lenders/Philanthropy**
  - How will this fit with other sources of capital
  - Understand mechanics of SFA and elective pay tax credits
  - Work with awardees to develop efficient "turnkey" financial products that work for residential solar
  - Go big, go home, or stay on the porch with SFA?

Solar For All

# Takeaways

- **Vendors/Installers**
  - Prepare to be pre-qualified
  - Understand compliance
  - Workforce development
  - Supply chain
  - Relationship building
- **All stakeholders**
  - “Abundance mindset”
  - What is best for the project, Tribe, and homeowner
  - Efficient execution while being inclusive to all participants

# Clean Communities Investment Accelerator (CCIA)

## GREENHOUSE GAS REDUCTION FUND

## CCIA
# Overview

Community lenders (including CDFIs) may receive technical assistance funding to help design, develop and build-out green lending platforms that reduce greenhouse gas emissions in low-income and disadvantaged communities along with capital to lend/invest in qualified projects that reduce green-house gas emissions. Lenders can obtain as much as $10 million in capital, including $1 million in technical assistance.

**Investment amount:** $6 billion

**Qualified projects:** Projects, activities or technologies that mitigate air pollution and greenhouse gases, supported by private investment or aiding community-led environmental efforts

**Priority project categories:** (1) Distributed energy generation and storage (2) Net-zero emissions buildings (3) Zero-emissions transportation

**Eligible projects must meet the following criteria:**

Must be a qualified project

Must be in a priority project category

Must be in a low-income and disadvantaged community. Use the Climate and Economic Justice Screening tool (CEJST) to identify eligible Justice40 communities.

CCIA

# Awardees

- **Opportunity Finance Network - $2.29 billion**
  - (10% Tribal Set Aside - $229 MM)
- **Inclusiv- $1.87 billion**
  - (Allocation for 91 Tribal Projects)
- **Native CDFI Network- $400 MM – 100% Tribal**
- **Justice Climate Fund - $940 MM**
- **Appalachian Community Capital $500 MM**

CCIA

# Eligible projects – Distributed Energy Generation and Storage

- Solar
- Battery storage
- Wind
- Hydroelectric
- Fuel cells
- Any clean energy technology

## CCIA

# Eligible projects – Net zero emissions buildings

Residential (single and multifamily), Commercial, Retrofits or new builds, Industrial, “Other”

“An efficient, all electric building that is designed and operated so scope 1 and scope 2 greenhouse gas emissions from all facility energy use equal zero on an annual basis, when connected to on-site renewable energy or a regional grid that provides 100 percent carbon-free electricity on a net annual basis”

At a minimum, a building that achieves zero operational emissions from energy use must be:

1. Energy efficient.
2. Free of on-site emissions from energy use.
3. Powered solely from clean energy.

CCIA

# Eligible projects – Zero emissions buildings

ELECTRIC VEHICLE CHARGING INFRASTRUCTURE

LIGHT DUTY VEHICLES

SMALL SCALE INFRASTRUCTURE TO PROMOTE WALKING, BIKING

CCIA

# Impact for community lenders/CDFIs

Community lenders/CDFI’s eligible for $10 million of CCIA funding

In addition, $1 million for technical assistance

The program period of performance is 6 years

## CCIA

# Lifecycle – CDFI view

1a

***Program Development***

Develop lending programs, policies & procedures, organizational roles, responsibilities and lending (signature) authority

1b

***Lending Plan***

Prepare marketing approach, materials and documentation necessary to secure funding from prime recipient

2

***Project Acquisition***

Originate lending opportunities from within existing market footprint

3

***Project Underwriting***

Perform financial due diligence on lending opportunities

4

***Loan Closing and Monitoring***

Execute loan documents, fund loan and administer per loan documentation

5

***ITC Filing***

Facilitate preparation and review ITC submission documentation

2b - 5b

**Program Compliance and Metrics**

*Aggregate project and borrower-level metrics per EPA and ITC compliance requirements*

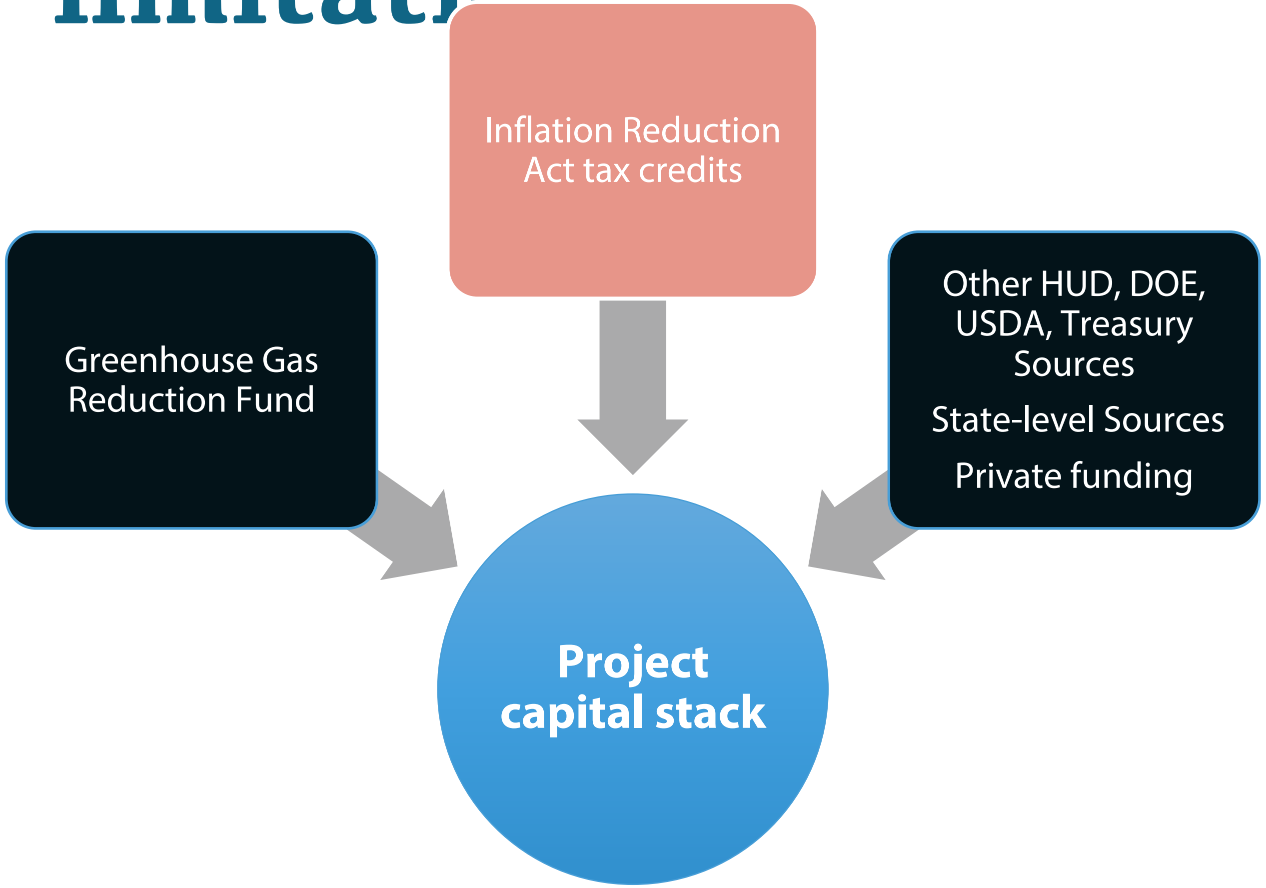
## CCIA

# Lending product development

- Due to Inflation Reduction Act, competitive environment for financial products
- CCIA loan product needs to be competitive enough to facilitate interest (not just another loan)
- Not so attractive that it is a give away, need to retain value to CDFI to allow it to expand it green lending capacity for years to come
- Match pricing and terms with project type
- Tax credit bridges are great, but be prepared to get in line with other providers
- Just enough customization and creativity will win the day!

## Bringing together a capital stack

# Funding (generally) no longer a limitation




- Where do I want my lending products to fit in the stack?
- How do I ensure other products in the stack are maximized in a compliant fashion?
- How to I ensure my risks are mitigated via my position in the stack?

## Bringing together a capital stack

# CCIA amplification opportunity

| CCIA Alone | | CCIA Amplified |
|---|---|---|
| $1,000,000 | CCIA | $125,000 |
| | Elective Pay Tax Credits | $500,000 |
| | Federal Grants, Solar for All, NCIF | $275,000 |
| | Philanthropic Funds | $100,000 |
| **$1,000,000** | **Total Capital** | **$1,000,000** |

**8x amplification for CCIA**

**10x amplification for Philanthropy**

## CCIA

# Reading the Tea Leaves

**Summer 2024**

- Recipients negotiate and finalize funding awards with EPA

**Summer 2024-Spring of 2025**

- Recipients develop lending plans and seek project pipeline

**Late 2024**

- Capital starts to be deployed

**2025 – 2030**

- Program execution and funding deployment

# Project risks and challenges: Distributed energy

- Site host viability – is the host going to be there over the long term
- State and utility specific policies around DER - consider Tribal Utility Authorities
- Technology – is it proven, is it contracted properly, is it warrantied?
- Are the savings generated from the DER sufficient to service debt comfortably?
- Will the sun shine?/will the wind blow? – accommodating for variability in resource
- Maintenance is **<u>ALMOST</u>** everything

# Project risks and opportunity: Net zero emissions buildings

- What is the cost to get to true net zero?
- What can I or can't I do within the restrictions of my state/utility if I need to be 100% renewable
- How flexible will EPA be in its Net Zero definitions and interpretations

a) Do the rents cover the loan?

b) Will the home stay in compliance with EPA rules?

c) Will the renewable energy technology be there over the life of the loan?

# Project risks and challenges: Zero emissions transportation

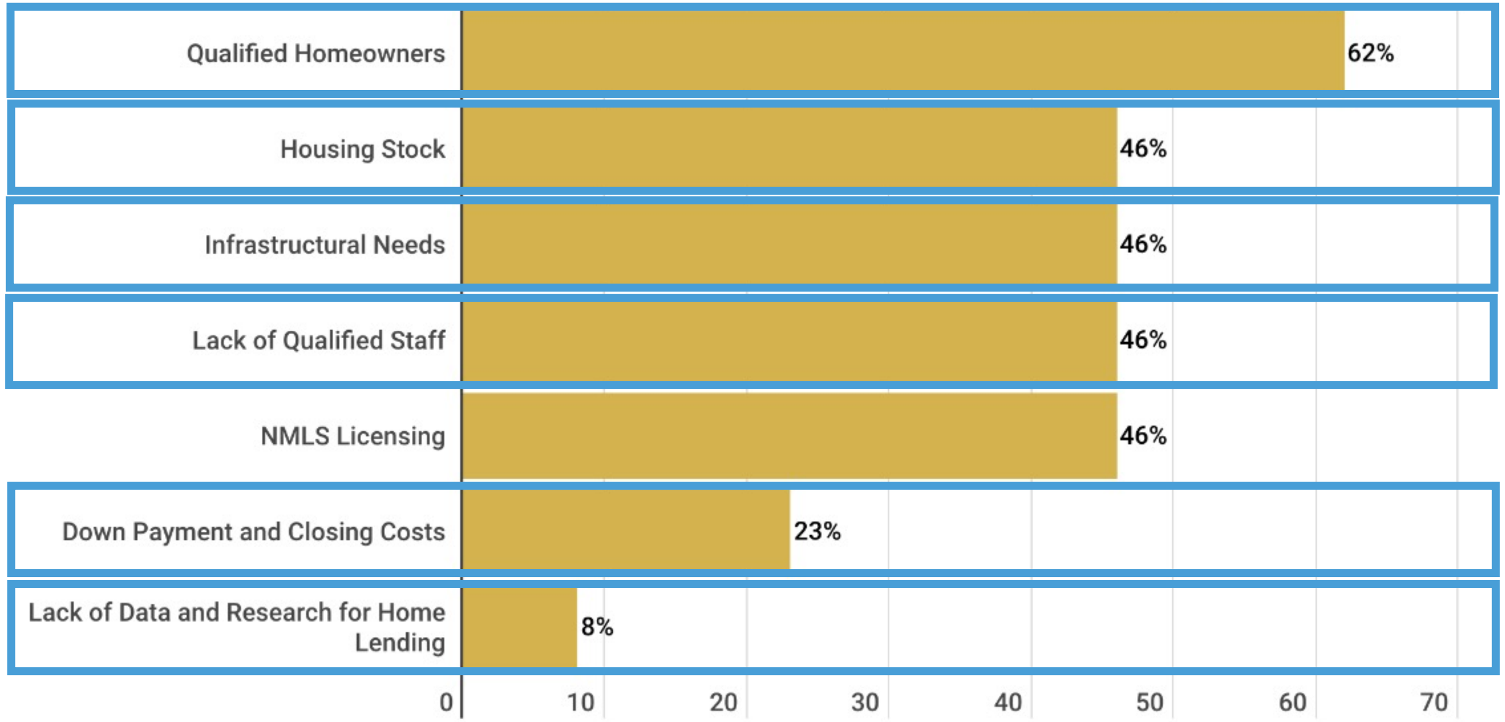
- What are the cash flows from EV infrastructure to repay a loan?
- Rural nature of most Tribal situations - more infrastructure for less users
- Fleet overhaul
  - Education
  - Cost/benefit/savings
  - Loan versus historical means to replace fleet
  - Overall, a lot of “new” to think about

# Lending pipeline/deal flow – current realities

- Historical Deployment of DER and EV in Indian Country?
- Current funding through CCIA, NCIF, SFA, and Elective Pay Tax Credits accommodates massive increase in DER and EV (on Paper)
- DER and EV projects are going to be driven by new capital as much as need, versus “net zero” housing where there is an existing need if we remove the “net zero” from the prior paradigm

# Lending pipeline/deal flow – Tribal net zero homes

**Barriers Needed to be Addressed to Achieve One-Year Goal(s)**




Critical need for Tribal Housing.

A $10 million tribal housing project might be a $15 million tribal "net-zero" housing project that is now eligible for CCIA funding.

Meets a clear need and complements many existing Tribal CDFI core underwriting competencies.

*Source: Oweesta 2021 Housing Report*

Project Risk and Challenges

# Long-term goals of the CCIA program

- CDFI access to $10 million to lend into the clean energy economy
- CDFI access to $1 million for technical assistance and internal capacity building
- Following and during program period (6 years) access to warehouse lines of additional capital through the NCIF to build out a robust, resilient and long-term lending program as part of the ongoing energy transition
- How do these goals align with CDFI goals?

## Project Risks and Challenges

# Leading with impact

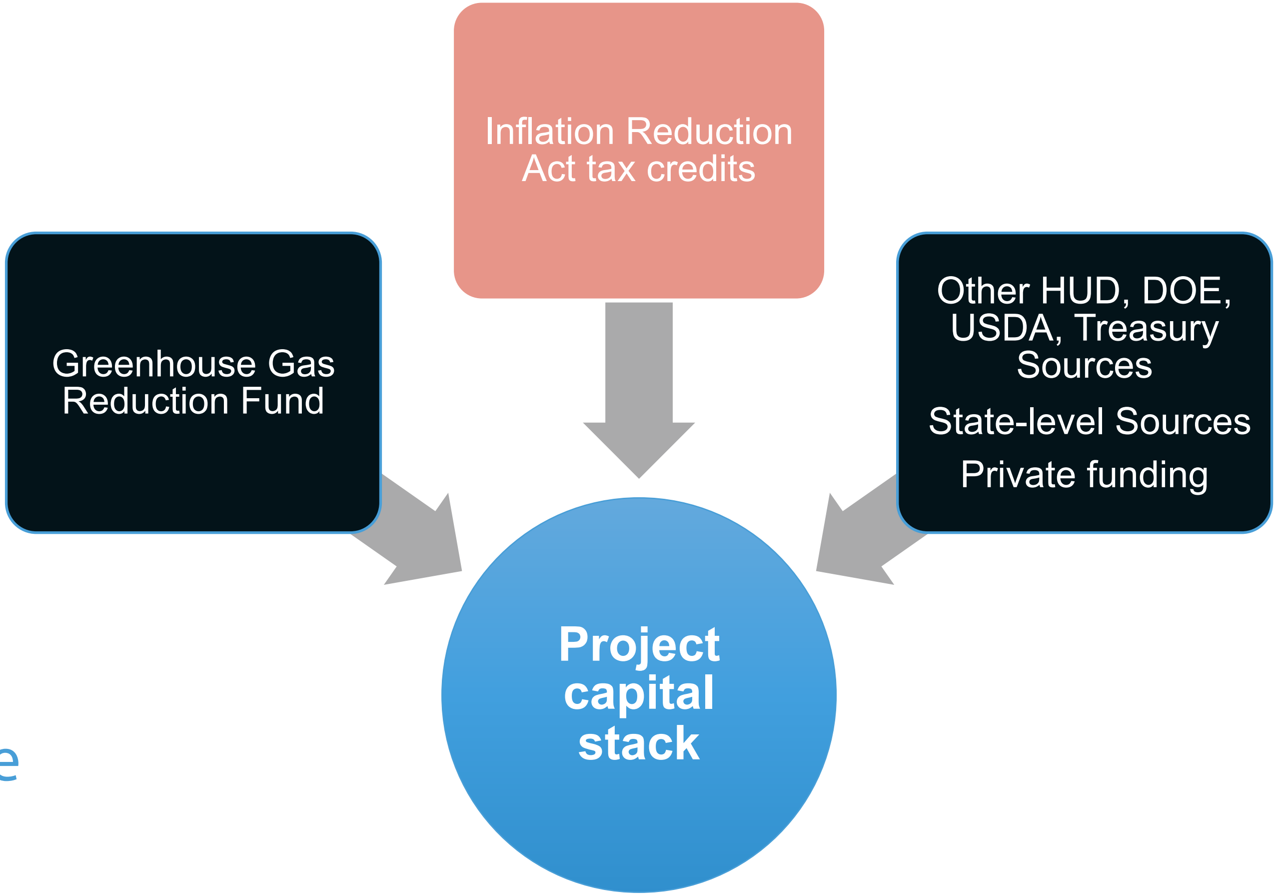
- What is the EPA looking at?
  - Climate and air pollution benefits
  - Equity and community benefits
  - Market transformation benefits

# A look at program compliance

- Build America, buy America
- Davis-Bacon wages
- Justice40 initiative
- Allowable and eligible expense
- Financial management
- Performance tracking
- Reporting

Elective Pay Tax Credits:

- Prevailing wage + apprenticeship
- Energy communities / low-income
- Domestic content



# Creating a GGRF product or program

## Design

**Structure your program and workforce for success**

- Develop and document a business plan that aligns with your goals and vision
- Create a funding program plan, which includes community engagement and compliance plans
- Identify and engage third-party partners who can provide capital, expertise and support
- Design internal operations infrastructure that enables efficient and effective program management

## Deploy

**Ramp up your program and launch to the market**

- Transition your program design to a fully functional operation with a dedicated team and systems
- Help identify and assess projects for qualification under GGRF and IRA
- Support your program delivery and engage external partners
- Build materials that showcase your program value proposition and community impact potential
- Deliver an internal program operations suite that streamlines your intake, due diligence and funding processes

## Operate

**Monitor and report on program and community impact**

- Monitor and report on your program performance using compliance, governance, accounting and impact metrics
- Perform regular external communications with your partners, applicants and stakeholders
- Structure and share energy saving related data ensuring compliance with EPA requirements
- Enable project funding and deployment using your platform and funding package offerings

# Thank you for joining

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## Take advantage of the GGRF today!

Connect with Baker Tilly energy development and capital structuring specialists to secure funding and maximize community impact.

**Go there. Start here.**

**Visit our GGRF resource center for insights, events and more.**

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