Congress of the United States
Washington, D.C. 20515

May 9, 2023

The Honorable Michael S. Regan Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, D.C. 20460

Dear Administrator Regan:

We applaud the EPA in taking an important step forward by providing guidance through the Implementation Framework for the Greenhouse Gas Reduction Fund and express our continued support for the swift implementation of this critical program. We agree with the EPA's principles that this program can reduce emissions of greenhouse gases and other air pollutants, deliver benefits of projects to American communities, particularly those in LID communities, and mobilize financing and private capital to stimulate additional deployment of GHG reducing projects.

We write to urge the Environmental Protection Agency (EPA), in its review of applications for funding from the Greenhouse Gas Reduction Fund (GGRF), to give priority to applicants whose proposals fully utilize the diversity of financial institutions engaged in climate finance, including green banks, community development financial institutions (CDFIs) and minority depository institutions (MDIs), as well as center their investment approach on low income and disadvantaged (LID) communities. It is important that EPA adhere to the meaning and intent of Congress in the text of the *Inflation Reduction Act* (Pub. L. 117-169) (IRA) which highlights a dual mission of reducing greenhouse gases, while impacting LID communities.

In order to meet the objectives and principles outlined in the Implementation Framework, we believe eligible recipients must include meaningful involvement of a variety of financial institutions and business models, including clean financing institutions, community based-financing institutions, and other institutions designed to support clean technology deployment. Specifically, CDFIs and MDIs leverage capital and have a proven track record of providing products and service to the most underserved communities. We urge EPA to heed the lessons learned from the Paycheck Protection Program regarding the importance of being intentional with program design when driving investments in low income and disadvantaged communities. As a result, we believe that an ideal applicant for GGRF funds should have a shared governance structure that is diverse and accountable to local communities, have a plan for continued operability that includes experience investing in or with a variety of mission driven financial institutions, a market transformation approach that effectively crowds-in private capital without displacing otherwise commercially viable investment activities, a strategy for driving demand in LID communities, and an approach that incentivizes a significant amount of investment in the most underserved of the LID communities.

A shared governance structure where decision-making authority is granted to a variety of financial institutions and implementation partners is critical to meeting the goals of the GGRF, particularly in the competition for the National Clean Investment Fund. Mission driven lenders have different business models and products, making it essential that the governing body of the eligible recipient reflect that diversity of expertise and approach. To maximize the program's success, the governing body must include green banks, CDFIs, MDIs, and other mission driven lenders with experience in climate finance and investment in LID communities. The governing body must be appropriately empowered and go beyond advisory to ensure capital allocation decisions reflect the diversity of business models among indirect recipients and private capital providers. Additionally, the governing body should reflect the demographic diversity of our nation and demonstrate accountability to local communities.

The IRA includes a "continued operability" requirement that ensures that direct investments be structured to ensure all communities continue to be served beyond the initial award of funds to an eligible recipient. However, in the Implementation Framework released on April 19, 2023 the EPA decided to separate direct investment and indirect investments into two separate competitions. This policy decision likely eliminates the possibility of cross-subsidies that would ensure continued operability for indirect investments in LID communities, which typically need a deeper subsidy. If the EPA opts to continue with separate competitions, we believe the agency should give priority to applicants that are applying for or collaborating across both competitions, have a strong track record of leveraging private capital, and a demonstrated ability to diversify a portfolio that includes debt, equity and grants in a way that meets the needs of a variety of financial institutions. Without a strong track record, direct recipients will not be able to instill confidence in the capital markets and optimize leverage across the portfolio at the indirect recipient level as well as at the qualified project level. We urge you to continue working closely with the staff from the U.S. Department of the Treasury that have experience internally, and through their consultants, making these types of investments in mission driven lenders. This includes a $12 billion suite of capital and grant programs to support CDFIs, MDIs, and the communities they serve, as well as the renewed State Small Business Credit Initiative (SSBCI) that is supporting up to $100 billion in small business loans, investments, and technical assistance through various state, tribal, and territory government programs. We urge you to collaborate with them to maximize the impact of GGRF for communities that need the support the most.

Similarly, the entities receiving direct federal investment must also demonstrate experience navigating green financing projects and have shown the ability to manage these projects across a variety of communities in order to achieve GHG emissions reductions and develop successful projects. It is critical that the EPA balance out these needs for both financial viability and project-level expertise in order to maximize the fund's performance across all metrics. The EPA should seek to work with entities that are composed of both impact-oriented institutions as well as green financing entities, to ensure that the goals of impact, performance, GHG emissions reductions and long-term sustainability are achieved.

Furthermore, the impact of the GGRF should not be to crowd out private capital but instead to focus on those eligible projects and communities that lack access to affordable capital. Although the IRA states that eligible recipients should prioritize projects that lack access to financing, the EPA should be focused on market transformation. Displacing affordable private capital focused on the broad use and adoption of clean technologies would run counter to the country's climate goals.

Additionally, since the Justice40 prioritization should be a floor, not a ceiling, the EPA should require applicants to provide a strategy for how they will drive awareness, demand, and adoption of clean technologies in LID communities. We urge you to learn about community-level solutions that the Fund can support, especially solutions from low-income and disadvantaged communities. In addition, CDFIs and MDIs have a long track record of serving communities long ignored by the traditional banking sector, including the development of financing and financial tools that meet the needs of low-income and disadvantaged communities. Simply put, reducing emissions and lowering energy costs among those communities will be best accomplished through the use of financing tools, grant support, and effective outreach to generate demand, change behavior, and build local capacity. It's important that applicants prioritize technologies that will transform LID communities – saving households money on energy costs, creating quality jobs, and improving air quality - and work within the existing debt burden of families in LID communities. However, these communities cannot be served with financing tools alone and will need significant grant support across the value chain to generate demand, change behavior, and build local capacity. The success of the program in LID communities depends heavily on the ability to develop an ecosystem that supports other actors, including clean energy and workforce developers. Although the EPA guidance makes available $625,000 for technical assistance for indirect recipients, in order to drive demand and create an ecosystem we recommend that the EPA require some of these funds be aggregated and administered at the national level by the eligible recipient.

Driving demand will also need to be accompanied by a meaningful level of investment in mission driven lenders in order to change behavior. The Implementation Framework released by EPA caps the amount per indirect recipient at $5,000,000, which may not be the most impactful way to reach LID communities. For example, some communities have a limited number of mission driven lenders (e.g. CDFI deserts), making the cap on indirect investments have an impact on the amount of climate financing in those communities. We urge you to adjust this limitation on indirect investments to account for more factors, including demand, size of the institution and impact.

Finally, we urge you, after defining low income and disadvantaged community, to encourage applicants to the GGRF to structure a significant number of their investments in a way that incentivizes investments in the most underserved low income and disadvantaged communities, including those affected by high rates of adverse health and environmental outcomes. Investments in some underserved communities, like areas of persistent poverty and majority-minority communities, often are more time consuming and costly than in some other communities that are also considered underserved. Also, the definition of LID should include people focused categories, like the CDFI definitions for Low Income Targeted Populations (LITP) and Other Targeted Populations (OTP), to make sure that the low income and minority people who live in the LID communities are also directly benefiting from the GGRF. We urge you to look at the deep impact standards created by Treasury for the Emergency Capital Investment Program (ECIP) and encourage eligible recipients to make investments in mission driven lenders that include similar financial incentives for investments in the most underserved communities.

We share a dedication to decarbonization and justice and hope that we can work together with you and our nation's mission driven lenders to meet the goals of the GGRF.

Sincerely,

Mark R Warner

U.S. Senator Mark R. Warner

Maxine Waters

Ranking Member Maxine Waters

Alex Padilla

U.S Senator Alex Padilla

Judy Chu

U.S. Representative Judy Chu

U.S. Senator Tina Smith	U.S. Representative Gregory Meeks
U.S Senator Raphael Warnock	U.S Representative Nydia M. Velázquez