



ALERTS

Time To Double Down On The Greenhouse Gas Reduction Fund

January 6, 2023

Highlights

The Inflation Reduction Act of 2022 included \$27 billion for the GHGRF, which is to be used through September 30, 2024 for grants and loans to support clean energy investments

In mid-October, the EPA charged the EFAB to evaluate the objectives, program structure, and execution, reporting, and accountability of the GHGRF. On Jan. 3, 2023, the EFAB delivered its guidance on options for the EPA to consider when designing, executing, and evaluating the GHGRF

While GHGRF funds are supposed to start flowing next month, there is a lot of work that still needs to be done to develop an efficient and effective program. The stakes could not be higher, and it is critical for EPA to take the time it needs to ensure that the full economic and environmental benefits of this historic investment are realized by all Americans

Green lending refers to the practice of providing financial support, in the form of loans or investments, to fund projects or activities that have a positive environmental impact. This can include renewable energy projects, energy efficiency improvements and other activities that reduce

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greenhouse gas emissions or have other environmental benefits.

In the United States, green lending has become increasingly popular in recent years as a way for financial institutions to support sustainability, including the transition to a low-carbon economy and to mitigate the impact of climate change. Many banks, credit unions and other lenders now offer green lending products, such as green mortgages and green business loans that are specifically designed to support environmentally friendly initiatives.

More recently, attention has focused on prospects for the growth of green lending to fund sustainable initiatives via the [Greenhouse Gas Reduction Fund](#) (GHGRF), a new EPA funding program established by the Inflation Reduction Act of 2022 (IRA). Congress provided \$27 billion for the GHGRF to be used through Sept. 30, 2024 for grants and loans to support clean energy investments.

- \$7 billion for competitive grants to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including distributed technologies on residential rooftops;
- Nearly \$12 billion for competitive grants to eligible entities to provide financial and technical assistance to projects that reduce or avoid greenhouse gas emissions; and
- \$8 billion for competitive grants to eligible entities to provide financial and technical assistance to projects that reduce or avoid greenhouse gas emissions in low-income and disadvantaged communities.(1)

More than 3,000 public comments on design and implementation of the GHGRF program were submitted at the time the comment period closed Dec. 5, 2022. Suggestions ranged from utilizing a national green bank, municipal green banks, and non-profits – and combinations of some or all three and other kinds of financial institutions – to manage distributions. ([EPA Docket ID EPA-HQ-OA-2022-0859](#))

On Jan. 3, 2023, the Environmental Financial Advisory Board (EFAB) submitted to EPA Administrator Michael Regan [its guidance and considerations](#) pertaining to the Greenhouse Gas Reduction Fund (GHGRF), developed by the EFAB. (2) In mid-October 2022, EFAB was charged with and established separate work groups to evaluate three categories of questions regarding the GHGRF: Objectives, Program Structure; and Execution, Reporting, and Accountability. The EFAB hosted two public listening sessions, conducted interviews, and collected its own public comments over the two short months allotted to carry out its charge.

The EFAB recognized the constraints imposed by “the extremely compressed timeline of this charge,” stating in its transmittal letter that “EFAB’s deliverable for this charge does not provide a comprehensive or exhaustive assessment; rather it provides a suite of options for the EPA to consider when designing, executing, and evaluating the GHGRF.” In its deliverable, the EFAB was careful to point out that “[t]he deliverable contains EFAB “options for EPA consideration” for the GHGRF, not recommendations.”

Given the “unusually accelerated timeline,” the EFAB did an extraordinary job marshaling the available resources, identifying the challenges and summarizing the considerations and options. The EFAB recognized that there are potential barriers to success, gaps to be filled and priorities that the EPA will need to establish to efficiently and effectively implement the GHGRF. On Jan. 24 and 26, 2023, the EFAB will host further public meetings to provide updates on the GHGRF charge and previous EFAB deliverables, consider possible future advisory topics and receive updates on EPA activities.

While the EPA is supposed to begin distributing dollars from the GHGRF in February 2023, it is clear from the EFAB’s Jan. 3, 2023 deliverable that the GHGRF program is incredibly complex and that there is still a huge amount of work for EPA to do in order to design and implement a GHGRF program that can meet the competing goals and underlying policies highlighted by the EFAB. Whether the EPA can timely commence delivery and distribution of the funds next month for the purposes designated by Congress remains to be seen. What is most important is that EPA continues to maintain its unwavering commitment to ensure that “the full economic and environmental benefits of this historic investment are realized by all Americans.”

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1. The IRA also adds a number of clean energy production and investment tax incentives and credits, and improves and extends others that were already on the books. (See [here](#) for a list of the tax provisions.)
 2. The [EFAB](#) was established to provide ideas and advice to EPA's Administrator and program offices on ways to lower the costs of and increase investments in environmental and public health protection.