

EPA's Greenhouse Gas Reduction Fund

February 6, 2023

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. Code §7434](#)) amends the Clean Air Act to provide for a Greenhouse Gas Reduction Fund (GHGRF) to be administered by the U.S. Environmental Protection Agency (EPA). The provision appropriated \$27 billion to EPA for FY2022, out of any 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 the purposes of providing financial assistance and technical assistance for qualified projects;
- \$8.0 billion to eligible recipients for the purposes of providing financial assistance 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 the IRA;

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- 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 clarify which additional requirements apply to EPA or its grant recipients, such as the general federal [requirements](#) for grants and agreements.

EPA Implementation

As of February 6, 2023, EPA has not yet established the GHGRF. Upon enactment of IRA, EPA launched a [stakeholder engagement strategy](#) to help shape the implementation of the GHGRF. EPA conducted a series of listening sessions for members of the public and stakeholder groups. These sessions took place on [November 1](#) and [November 9](#), 2022. EPA published a [Request for Information](#) seeking public comment on core design aspects of the GHGRF. 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 GHGRF’s potential objectives, program structure, and its execution, reporting, and accountability. In its review, EFAB assessed the strengths and weaknesses of various design elements of the fund including leverage, additionality, 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. EPA is currently reviewing EFAB and stakeholder comments.

Green Banks

The statutory provisions for the GHGRF reflect the characteristics of entities that are commonly referred to as “green banks.” Green banks are [relatively new types of financial institutions](#) aimed at overcoming market barriers and scaling up investment in low-carbon technologies and climate-resilient infrastructure. In general, green banks may be public, quasi-public, or nonprofit institutions that are publicly capitalized to facilitate private investment and produce revenue to be used for further investments. Green banks typically do not exist to make a profit and as such may be able to help reduce the cost of capital, mitigate risk, and provide more favorable lending rates to incentivize investments. They can offer loans, leases, credit enhancements, and other financing services either directly to project management entities or through financial intermediaries.

Governments have created green banks in a variety of national and local contexts to achieve a range of goals, including meeting GHG emissions targets, supporting local community development, lowering energy costs, developing low-carbon and climate-resilient technology markets, creating jobs, and lowering the cost of capital for specified investments. Governments have established green banks at the national level (e.g., [Australia](#), [New Zealand](#), [Malaysia](#), [Switzerland](#), and the [United Kingdom](#)), at the state

or district level (e.g., [California](#), [Connecticut](#), [Hawaii](#), [New York](#), [Rhode Island](#), and the [District of Columbia](#)), and at the county level (e.g., [Montgomery County, Maryland](#)). Some of the above-listed green banks—as well as some other financial institutions—may meet the definition of eligible recipient under Section 60103 of IRA, whereas others may qualify to receive indirect investments.

Past Congressional Proposals

Proposals for a national green bank in the United States reach back at least to the 110th Congress (e.g., H.R. 6078 and H.R. 6899). In the 117th Congress, at least four bills were introduced on green banks prior to IRA, including H.R. 806, S. 283, S. 685, and S. 1208.

Past congressional proposals for a national green bank have differed amongst themselves and from existing entities in significant ways, including, but not limited to (1) the amended statute; (2) legal status; (3) specific project or recipient eligibility; (4) project prioritization; (5) means of capitalization; and (6) governance, administrative, and oversight structure. The establishment of a national green bank would likely require decisions amongst the various policy options within these items.

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