THE NEWDEAL FORUM | CLIMATE POLICY GROUP

Clean Energy Solutions Financing

New State Opportunities to Attract Major Federal Loans

About the Loan Programs Office at the Department of Energy

The Loan Programs Office (LPO) offers loans and loan guarantees for clean energy projects. Traditionally, they work to build bridges between emerging green technologies and banks to provide access to long-term capital that private lenders cannot or will not provide. LPO offers flexible financing that is customized for the specific needs of individual borrowers and provides a committed DOE partnership in which they give specialized expertise to borrowers for the lifetime of the project.

Inflation Reduction Act – New Opportunities for States to Spur Clean Energy Investments

IRA provided $40 billion of additional loan guarantee authority for clean energy projects.

Typically, eligible proposals are required to have an innovation technology requirement; however, because of a change made by the Bipartisan Infrastructure Law, state involvement waives the innovation requirement and allows for a much wider range of projects to receive funding, including those that advance already proven technologies. Every $1 million invested by a state institution can unlock $100M or more in LPO loans, if the state is providing grants or equity financing to the project.

Examples of projects that could receive LPO support with state involvement include:

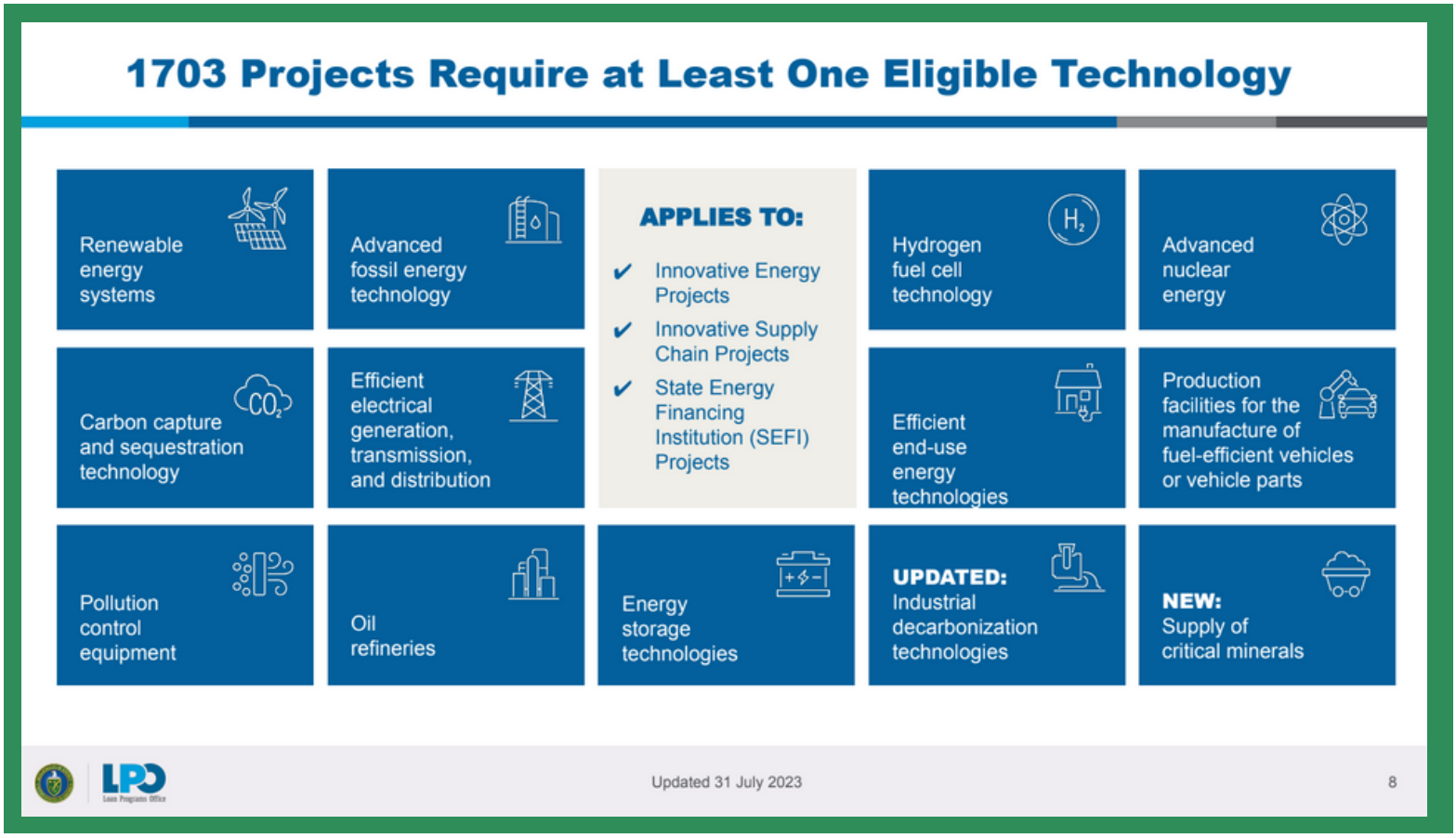
- Vehicle electrification projects (including for school bus electrification)
- Wastewater treatment plant upgrades
- Energy efficiency upgrades for commercial and residential buildings (i.e. switching air conditioning systems to heat pumps or gas water heaters to electric ones)
- Manufacturer decarbonization
- Read other examples here

Note: While there is no minimum loan amount that LPO can provide, the office seeks to move beyond pilot projects (i.e. retrofitting 10-15 homes) and take initiatives to scale to impact a broad cross-section of a community's/state's population. Most LPO loans are for $100 million or more.

How to Provide State Support to Qualify Projects for LPO Loans

Projects must receive "meaningful investment" from an eligible **State Energy Financing Institution** (SEFI), which is an entity established by a state to provide financing support or credit enhancement for eligible clean energy projects.

- The state lending institution must be approved as a SEFI by DOE
  - LPO is actively working to provide SEFI designations. Examples include the Connecticut Green Bank and California Energy Commission
- "Meaningful support" depends on the project type, support garnered from state institutions, and how far along the project is planned
- Projects must involve at least one eligible technology that reduces greenhouse gas emissions.



Credit: Loan Program Office at the Department of Energy

Community Benefits Plans: Projects must have a Community Benefits Plan. There are four core policy priorities for these plans:

- Investing in America's workforce,
- Working with communities and labor
- Promoting diversity, equity, inclusion, and accessibility
- Implementing Justice 40 (a Biden Administration initiative to deliver 40% or more of benefits from federal investments to disadvantaged communities).

While Community Benefits Plans are flexible for loan applicants to find ways to give back to the community, they must be specific, actionable, and measurable. LPO has full time specialists who can support building a project's Community Benefits Plan.

Next Steps:

1. Consider how funding (grants, loans) can be made available for state investments in energy/climate projects that unlock LPO financing.
2. Talk to top state energy and climate officials and assess their awareness of LPO.
3. Organize a virtual LPO briefing for key officials similar to the session hosted by the NewDEAL Forum's Climate Policy Group. Contact Hans Riemer, Senior Consultant at LPO hans.riemer@hq.doe.gov.