/ inclusiv /

April 8, 2024

David Widawsky
Director, Greenhouse Gas Reduction Fund
Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20460

RE: GGRF Accomplishment Reporting Information Collection Request (ICR)

Dear Director Widawsky:

Thank you for the opportunity to provide feedback on EPA's Accomplishment Reporting framework for the Greenhouse Gas Reduction Fund (GGRF) that was released on February 6, 2024. The GGRF presents a historic opportunity to direct capital to reduce greenhouse gas emissions, promote an equitable greening economy, and address injustices resulting from disproportionate exposure to pollutants and environmental degradation.

Inclusiv respectfully submits this comment letter with the objective to seek clarification and make recommendations that efficiently capture the impact of GGRF investments in promoting a clean energy transition in the low-income and disadvantaged communities (LIDACs) that GGRF and Justice40 intend to serve. We believe an approach that comprehensively addresses the technical assistance (TA) and capacity building needs of smaller financial institutions will promote successful participation among local institutions that truly serve LIDAC communities.

**About Inclusiv**

Inclusiv is a nonprofit Community Development Financial Institution (CDFI) Intermediary and national network of more than 500 community development credit unions (CDCUs) serving more than 20 million people in predominantly low-income urban, rural, and reservation-based communities across 47 states, Washington DC, the U.S. Virgin Islands and Puerto Rico. In our nearly 50-year history, Inclusiv has invested and lent more than $300 million in LIDACs, both through direct investments in community development credit unions, and indirectly through the purchase of non-conforming mortgage loans that support homeownership opportunities for low-income people and people of color. Inclusiv is honored to have been selected for a $1.9 billion grant through the GGRF Clean Communities Investment Accelerator (CCIA) competition.

Thanks to generous grant support from the U.S. Department of Energy and philanthropic donations, Inclusiv's Center for Resiliency and Clean Energy and the University of New Hampshire (UNH) Carsey School of Public Policy built a robust clean energy finance training and technical assistance program and network for community-based lenders—including CDCUs, CDFIs, Minority Development Institutions (MDIs), Low-Income Designated (LID) credit unions, community development banks, and other mission-driven community-based lenders—that are innovating our financial system to advance equitable decarbonization across the country, particularly in states that lack local support for climate action.

The lenders that Inclusiv and UNH support have transformed access to clean energy and energy efficiency in LIDACs. Inclusiv has delivered rigorous clean financing courses and workshops to over 700 lending professionals, including lenders from 120 CUs. The graduates of these courses join a rapidly growing Inclusiv Clean Financing Alumni Network that has demonstrated a soaring demand for clean financing capital and knowledge. The intensive technical support offered through the Alumni Network of our Training and Certificate program resulted in CUs making an estimated $800 million in LIDAC-focused green loans in the past three years.

And they are just getting started. These community-based lenders, and hundreds more that Inclusiv will support as they enter the clean energy financing space in the coming months and years, have a proven track record of leveraging every public dollar received to draw in ten dollars of additional private capital investment.[1] These lenders are positioned to leverage GGRF dollars to raise more than $200 billion in new private capital to advance activities and projects that reduce greenhouse gas emissions and other air pollutants while delivering the benefits of these activities to LIDACs over the next six years.

Inclusiv is thrilled to be a part of this transformational program and have the opportunity to provide the following recommendations. Having worked closely with our member CDCUs on launching and scaling green lending programs, we bring a distinct awareness of their range of capacities, areas for growth, and immense potential for impact in LIDACs. We believe that thoughtful reporting structures and cost estimates can set the stage for a GGRF that supports the success of CDCUs implementing this groundbreaking program and grows the capacity of CDCUs to serve the green lending needs of their communities for decades to come. The steps below can shape a GGRF that is accessible, equity-centered, and true to the Justice40 goals, ensuring that GGRF dollars make a maximal impact in the underinvested communities that need them most.

## I. Revise underestimated respondent burden hours and labor costs

In the Supporting Statement (pg. 8), EPA lists preliminary estimates of respondent burden hours and labor costs. Based on our experience working directly with community development credit unions (CDCUs), <u>data collection of this scope would take, on average, at least four times the hours estimated by the EPA</u>. Understanding that these estimates may be used to inform Technical Assistance Subaward grant allocations to community lenders, we recommend that these numbers be updated in order for the allocations to sufficiently cover the staff time and training required to do this reporting work, especially for small financial institutions (<$500 million asset threshold).

## II. Reflect the differentiated needs of small community lenders in relation to the Technical Assistance Subaward amounts based on capacity building needs

We appreciate EPA's acknowledgement that smaller entities bear the burden of reporting differently than their larger counterparts. As discussed in EPA's supporting statement, program participation is voluntary, and our members will pursue these dollars with the understanding that the benefits of the program outweigh the challenges of reporting. Nevertheless, we encourage EPA to take the unique

[1] https://www.cdfifund.gov/sites/cdfi/files/documents/cdfi_infogrpahic_v03aaf.pdf

circumstances of different types of community lenders into account wherever possible when determining Technical Assistance Subaward amounts and consider that smaller, community-based lenders in underserved areas will often need more resources to build the capacity needed to participate successfully in the CCIA and meet program execution, compliance, and reporting requirements.

Many target communities for the CCIA have long faced redlining, underinvestment, and barriers to accessing capital. Inclusiv's network of community lenders, particularly Minority Depository Institutions (MDIs), focuses on serving the communities most affected by structural racism and inequality, whose residents have been systematically denied opportunities to build generational wealth. Consequently, these credit unions are under-resourced when compared to similarly situated non-MDI credit unions and face many of the same structural and institutional barriers their members face. Some of these institutions are run by only one or two full-time staff, in addition to part-time staff, and they face numerous challenges, including securing both member and non-member deposits, building a robust loan portfolio, and limited experience with Federal grant reporting. Smaller financial institutions also tend to have older and less advanced core software systems, meaning they are more likely to work with a patchwork of separate systems of loan origination data and financial data that require export and manual analysis. Thus, appropriate funds for development and onboarding of new data systems will be central to the successful reporting of these institutions.

At the same time, these smaller, more under-resourced community lenders are often those best positioned to deploy CCIA dollars in LIDACs. As member-owned and governed, not-for-profit cooperatives, these lenders are deeply engaged with, and directly accountable to, the communities they serve. Therefore, it is critical that the CCIA provides sufficient Technical Assistance Subaward resources for the administrative capacity building of <u>small</u> CDFIs, MDIs, and Cooperativas that are formed, owned, and operated by LIDAC communities. These groups carry the unique knowledge, relationships, and experience to make transformative impact where it is most needed, in accordance with the GGRF's key objectives.

We also recommend that EPA avoid evaluating programmatic success based on reported ratios of Technical Assistance Subaward funding to capitalization funding. The number of hours needed to meet program reporting requirements, and the associated labor costs, will be proportionally higher for the small community lenders that are most deeply embedded in LIDACs for the reasons described above. In order to support them with CCIA reporting, we ask that for each of these smaller community lenders, EPA allows for a greater amount of Technical Assistance Subaward grant dollars in relation to the Capitalization Funding grant amount each of these lenders receives.

## III. Offer specificity around data collection requirements for recipients vs. subrecipients and exempt subrecipients from scope 3 emissions data collection

The Supporting Statement notes that, "EPA will collect data from recipients and subrecipients through a number of data collection instruments," without specifying which instruments pertain to recipients and which pertain to subrecipients. Both parties would benefit from clarification on these expectations, particularly around aspects of reporting that would be overly burdensome for small community lender subrecipients without providing meaningful impact data. For example, "relevant categories of scope 3 emissions" is listed under Organizational Disclosures without specifying which categories would be relevant and whether such data is expected from recipients, subrecipients, or both.

Inclusiv's network of community lenders is not currently equipped with the resources and expertise to perform scope 3 emissions reporting. Further, organizational scope 3 emissions reductions such as business travel, employee commuting, and purchased goods and services are not central to the GGRF's goals of financing purchases of energy technologies that achieve widespread emissions reductions and meaningful co-benefits in target communities, and small community lenders, under $500 million, have a small building footprint and small staff sizes. They are unlikely to be significant contributors to scope 3 emissions. Specific and rigorous reporting on the impacts and emissions reductions of GGRF investments is critical, however, we believe that the other scope 3 categories are not sufficiently relevant to justify the reporting burden for small community lenders. While capacity building in this area is possible and anticipated in the long run, we recommend that the present focus be narrowed to those categories most relevant to GGRF objectives (e.g. emissions reductions directly resulting from projects financed by GGRF dollars, LIDAC reach, community benefits, etc.).

Finally, we refute the notion that differentiated reporting on this aspect would lessen the EPA's ability to oversee and report on GGRF activities and accomplishments. We believe there is a balance to be reached that would allow EPA to properly oversee and report on GGRF activities while offering a degree of flexibility to smaller subrecipient community lenders, empowering them to focus on the success of the GGRF activities themselves and minimize nonessential reporting requirements. Where possible, Inclusiv is prepared to assume the burden of meeting necessary administrative requirements from the EPA to lessen the burden on small subrecipient community lenders, however data collection for organizational disclosures would inherently require the work of subrecipients.

**IV. Recognize flexible, scalable, and efficient methodologies for outcome tracking**

GGRF reporting will involve the aggregation of immense and disparate volumes of data that can be used to estimate counterfactual impacts and outcomes. In order to generate meaningful impact data at scale, a rigorous, efficient methodology would employ clearly stated assumptions, well-supported by research, that allow for calculations based on defined project types and categories (e.g., grouping vehicle model types instead of calculating emissions avoided for each individual model). Recognizing the intricacies and challenges of measuring some of the GGRF outcomes, we recommend that EPA offer a reasonable degree of flexibility in their evaluation and acceptance of awardees' outcome tracking methodologies. EPA could additionally support by offering some pre-approved formulas or methodologies to employ for particular impact metrics.

**V. Offer reasonable reporting timelines and responsiveness**

EPA requests "timely disclosure of the Recipient's events," and responses to "reasonable requests from EPA, from time to time." We recommend that EPA clarify a reasonable definition of "timely" depending on the requested information or action. For example, if a newly requested disclosure requires board approval, we believe a period of at least 90 days would be appropriate to allow time to get it on the agenda, convene the board, and report back, whereas items that could be resolved by staff may only need a period of 30 days.

Further, we recommend the EPA establish a responsiveness timeline for following up on clarifying questions related to disclosures. At a minimum, EPA should respond to any clarifying questions within the deadline period in which they are expecting a response from grantees or extend the deadline commensurately. Reasonable reporting timelines and responsiveness will allow grantees to properly monitor impact and provide updates to EPA while managing the many other moving parts of GGRF implementation.

In closing, we enthusiastically support the creation of the GGRF and appreciate the opportunity to provide comments that we hope will maximize the impact and accessibility of this fund. We would like to extend our gratitude to the EPA, and particularly to the entire GGRF team, for your important work and deep commitment to building the pathways that ensure this unprecedented investment in equitable climate finance has a transformative impact on the lives of millions of Americans. Thank you so much for your time and consideration. For any questions regarding these comments, please contact Sam Lee, Policy Analyst (slee@inclusiv.org).

Sincerely,

Cathleen A. Mahon
President and CEO
Inclusiv