

**Testimony of Zealan Hoover
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Hearing on the Greenhouse Gas Reduction Fund

**U.S. House of Representatives
Committee on Energy and Commerce
Subcommittee on Oversight & Investigations**

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Good morning, Chair Griffith, Ranking Member Castor, and Members of the Subcommittee. I am Zealan Hoover, EPA's Director of Implementation for programs authorized by the Bipartisan Infrastructure Law and the Inflation Reduction Act. Thank you for the opportunity to testify today on EPA's implementation of the congressionally-enacted Greenhouse Gas Reduction Fund.

The Inflation Reduction Act, a key part of President Biden's Investing in America agenda, created the Greenhouse Gas Reduction Fund, a first-of-its-kind, national-scale competitive grant program. This \$27 billion investment will bring public and private capital together to address the climate crisis, ensure our country's competitiveness in the global economy by creating good-paying jobs here at home, and deliver lower energy costs for Americans and reducing harmful pollution—particularly in low-income and disadvantaged communities that have historically been left behind.

Today, I want to tell you about the objectives of the Greenhouse Gas Reduction Fund, how EPA is implementing the program with three complementary grant competitions, and EPA's work to ensure the funding is spent responsibly, transparently, and in alignment with the statute passed by Congress.

Statutory Basis

Through section 134 of the Clean Air Act (42 U.S.C. § 7434), enacted by the Inflation Reduction Act, Congress created the Greenhouse Gas Reduction Fund and appropriated \$27 billion for the Fund to remain available until September 30, 2024. In compliance with the statute, EPA is on track to make competitive grant awards in advance of Congress's deadline.

It is important to emphasize that, per the statute, EPA is not authorized to directly fund project investments through this program. Instead, the statute defines eligible recipients of EPA's grants and those entities will provide financial and technical assistance to projects.

Section 134(a)(1) appropriates \$7 billion to EPA to make competitive grants to states, municipalities, Tribal governments, and eligible nonprofits to provide subgrants, loans, or other forms of financial assistance and technical assistance. These grants, per statute, must enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including distributed technologies on residential rooftops, and to carry out other greenhouse gas emission reduction activities.

Sections 134(a)(2) and 134(a)(3) appropriate \$19.97 billion for investment in any project, activity, or technology that reduces or avoids greenhouse gas emissions and other forms of air pollution or that assists communities in these efforts. Under section 134(a)(3), Congress directed that \$8 billion—or 40 percent of these appropriations—be used specifically for the purposes of providing financial and technical assistance in low-income and disadvantaged communities. The statute lays out two pathways for the use of these funds. First, recipients can make direct investments into projects that reduce or avoid greenhouse gas emissions or other air pollution by leveraging investment from the private sector. Second, recipients can make indirect investments by using their grant to provide funding and technical assistance to establish new, or support existing, public, quasi-public, or nonprofit entities that provide financial assistance to such projects. Congress also chose to limit the entities eligible to compete for funds to nonprofit organizations that are not depository institutions and that meet additional criteria, including a focus on financial assistance for low- and zero-emission products, technologies, and services.

Program Objectives and Competition Overview

Based on these statutory requirements, EPA has designed each of the three competitions to advance the following objectives:

1. Reduce emissions of greenhouse gases and other air pollutants.
2. Deliver benefits of projects that reduce greenhouse gas emissions and air pollution to communities across America, particularly low-income and disadvantaged communities, in line with the statute.
3. Mobilize financing and private capital to stimulate additional deployment of projects that reduce greenhouse gas emissions and air pollution.

To achieve these objectives, EPA conducted an extensive public engagement effort to ensure we heard from a wide and diverse set of individuals and organizations. EPA solicited input in multiple ways consistent with the highest ethical requirements, by:

- Publicly posting a Request for Information that yielded over 400 written comments;
- Hosting four public listening sessions that reached thousands of individuals;
- Holding more than a dozen stakeholder roundtables that conveyed publicly available information;

- Conducting nearly a dozen webinars; and
- Engaging EPA's Federal Advisory Committees with appropriate subject matter expertise.

EPA is implementing the Greenhouse Gas Reduction Fund through three competitions that have been carefully crafted to operate in accordance with the statute and with EPA's Financial Assistance Competition Policy.

The first two competitions, the National Clean Investment Fund and the Clean Communities Investment Accelerator, are funded through sections 134(a)(2) and 134(a)(3), and the third competition, Solar for All, is funded through section 134(a)(1). Taken together, they will provide a systematic and nationwide response to support our nation's clean technology financing challenges. We received an exceptionally robust response to these competitions with more than 180 applications covering all 50 states and all six territories. These applications collectively request over \$100 billion to build out clean energy programs across the country – roughly four times the \$27 billion appropriated by Congress.

First, the \$14 billion National Clean Investment Fund competition will provide grants to 2–3 national nonprofit institutions that will partner with the private sector to provide affordable financing and technical assistance for tens of thousands of clean technology projects across the country. For too many communities, it is extremely difficult to get a loan designed to purchase clean technology products or services, such as solar panels, energy efficient appliances, or home efficiency upgrades. Funding from the National Clean Investment Fund will enable families, small businesses, local farms, and many others across the country to access the capital they need to install clean technology projects that save money and reduce air pollution.

Second, the \$6 billion Clean Communities Investment Accelerator competition will provide grants to 2–7 national nonprofits that will, in turn, deliver funding and technical assistance to build the clean financing capacity of community lenders working in low-income and disadvantaged communities. This will enable families and small businesses to partner directly with trusted community lenders and access previously unavailable capital to deploy projects focused on distributed energy generation, net-zero emission buildings, and zero-emission transportation. The Clean Communities Investment Accelerator will build the capacity of community lenders to draw on capital to catalyze deployment of projects in communities across the country. Clean Communities Investment Accelerator funds will be dedicated to low-income and disadvantaged communities that have long faced barriers to accessing capital.

Third, the \$7 billion Solar for All competition will award up to 60 grants to states, territories, Tribal governments, municipalities, and eligible nonprofit recipients to expand the number of low-income and disadvantaged communities primed for residential distributed solar investment. Grantees will use funds to expand existing low-income solar programs or design and deploy new Solar for All programs nationwide, building a future where clean, affordable, solar energy is accessible to millions of households throughout the United States, including the families that stand to benefit the most.

Evaluation and Selection

The application period for these competitions opened last summer and closed on October 12, 2023. Since October, EPA has been conducting a robust evaluation and selection process that draws on expertise both within our Agency and from across the federal government.

Applications were first evaluated by EPA staff to ensure they met the statute's threshold eligibility criteria. Applications then moved to review panels made up of teams of experts who were responsible for evaluating and scoring applications against the evaluation criteria included in the Notices of Funding Opportunity. Roughly 250 people from EPA, Department of Energy, Department of Treasury, Department of Housing and Urban Development, and Department of Agriculture, and other agencies reviewed and scored applications, with each application being reviewed by multiple individuals.

Every step of the evaluation and selection process has been conducted in line with the high standards of EPA's Competition Policy and in close coordination with our ethics attorneys and our Grants Competition Advocate. All individuals who are participating in the evaluation and selection process have been screened for conflicts of interest, including financial conflicts of interest and loss of impartiality due to previous employment. All participating individuals also signed statements affirming that they have neither ethics concerns nor conflicts of interest.

The evaluation criteria for the three competitions assessed applicants on a variety of dimensions such as fiscal stewardship and risk management capabilities, policies governing their financial assistance, plans for tracking and reporting environmental outputs and outcomes, robust consumer protection procedures, and capacity to meet the grant's reporting requirements. In addition, each competition had unique evaluative criteria to reflect the differing competition priorities and risks. The National Clean Investment Fund and Clean Communities Investment Accelerator applications were assessed against nearly 70 specific evaluation criteria. Solar for All applications were assessed against nearly 30 specific evaluation criteria.

Applications were designated as top-ranked based on the scores from their written applications, which were evaluated in accordance with the respective Notices of Funding Opportunity. After completing the evaluation and scoring phase for the National Clean Investment Fund and the Clean Communities Investment Accelerator competitions, a separate review panel then interviewed and scored representatives of the top-ranked applications.

Final scores for each competition were provided to senior review teams comprised of experts from across the federal government charged with making final recommendations on selections and funding amounts to EPA. All three competitions are now in the final stages of the selection process. EPA anticipates providing an update to applicants about the status of their applications by March 2024, and is on track to have all awards finalized by September 30, 2024.

Robust Oversight and Controls

To successfully implement this program in a responsible way, EPA has brought together experts in clean energy finance and underwriting, climate policy, community engagement—in particular for low-income and disadvantaged communities—financial oversight, and more. In addition to running a robust evaluation and selection process that works to ensure that the strongest applications are selected for grants, EPA grant requirements and oversight mechanisms will ensure that grantees are stewarding taxpayer dollars appropriately to further the goals of the Greenhouse Gas Reduction Fund.

To ensure that these competitive funding opportunities are fair, impartial, and in line with the EPA Competition Policy, EPA adhered to important standards during the program design and application phases. For instance, interested stakeholders had opportunities to share their perspective and to attend public webinars at which EPA provided information about the competitions. EPA did not communicate non-public information about program design to interested stakeholders. Additionally, EPA did not take meetings with eligible entities on an individual or small group basis to discuss potential applications.

All entities receiving financial assistance from EPA may only expend EPA funds in compliance with applicable statutory requirements, regulatory requirements, and the terms and conditions of EPA's assistance agreement—regardless of whether the entity receives funds directly from EPA or receives them as a subrecipient or program beneficiary. EPA will also require detailed reporting to enable prudent oversight and public transparency.

The Agency is running a robust evaluation and selection process to ensure that strong applications are selected for grants. In the event that any grantee falls short in their legal obligations under grant regulations or their award's terms and conditions, EPA has multiple tools under 2 C.F.R. § 200.339 to ensure program compliance, including disallowing ineligible costs and requiring repayment, wholly or partly suspending or terminating the award, and initiating suspension and debarment proceedings, among other options. Beyond the grant regulations, the Agency has authority to bring civil enforcement actions against grant recipients under section 113 of the Clean Air Act, including for civil penalties, and may also pursue claims against recipients under the False Claims Act or the Program Fraud Civil Remedies Act.

Conclusion

EPA appreciates the direction and resources provided by Congress to implement this program. We expect that the Greenhouse Gas Reduction Fund competitions will facilitate tens of thousands of clean technology projects and deliver tangible benefits to millions of American households, especially those who stand to benefit the most. We also appreciate that the Committee shares our focus on ensuring taxpayer dollars are spent responsibly. EPA is committed to transparency and openness with Congress, and we will continue to keep you updated on our progress. Thank you, and I look forward to your questions.