

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
(IBANK)**

STAFF REPORT

**APPROVAL OF CRITERIA, PRIORITIES AND GUIDELINES FOR THE SELECTION
OF PROJECTS
UNDER THE CLIMATE CATALYST REVOLVING LOAN FUND PROGRAM**

Introduction

The California Infrastructure and Economic Development Bank (“IBank”) staff recommends the IBank Board of Directors (the “Board”) adopt Resolution No. 22-02 approving the adoption of the Criteria, Priorities, and Guidelines for the IBank’s Climate Catalyst Revolving Loan Fund. This new program will provide capital to support the state’s critical climate-related infrastructure, meaning projects that support state goals for climate change mitigation and resiliency.

Background and Discussion

The Climate Catalyst Revolving Loan Fund Act (AB78, statutes of 2020), signed into law by Governor Newsom June 29, 2020, requires that IBank establish a program to provide financial assistance to eligible private and public entities of climate infrastructure projects. The initial Climate Catalyst Fund capital for wildfire and forest resilience was provided in Senate Bill 85, (\$16 million) and Senate Bill 170 (\$31 million) in 2021. However, it was not until an important statutory change was made under Senate Bill 155 in September 2021 that IBank was able to take in those funds. With the passage of the budget and enactment of those reforms, and Board approval of the Criteria, Priorities and Guidelines, IBank is prepared to administer this new program in service of California’s climate policy objectives.

The launch of Climate Catalyst Fund comes at a critical moment in the fight against climate change. The United Nations Framework Convention on Climate Change (UNFCCC, which convenes the annual international Conference of Parties to develop global climate strategy), has called the 2020s a critical decade for implementation – the delivery of real solutions on the ground, not just the articulation of more ambitious goals.

At the federal level, the Biden Administration has promulgated an “all of government” strategy to fight climate change, with funding for state-level partnerships in the Infrastructure Investment and Jobs Act of 2021. IBank is well positioned to be a critical partner to the federal government in these efforts, and the Climate Catalyst Fund Act adds the important ability to support private actors in pursuit of these goals.

At the state level, Governor Newsom has made economic opportunity a central component of the state's climate strategy, an emphasis echoed by the Legislature and the leadership of key environmental and energy agencies. The Climate Catalyst Fund will enhance IBank's ability to promote inclusive climate solutions at the confluence of infrastructure investment, economic development and small business support, and job creation.

The Criteria, Priorities and Guidelines document is designed to be applicable across a range of climate infrastructure investments that IBank may ultimately pursue. However, recognizing the scale of the challenge in extending IBank's activities to private borrowers while also developing expertise in new sectors of the California economy, IBank will take a measured approach in its early engagement with the market. IBank's initial focus with the Climate Catalyst Fund will be on projects that have financing in the works with a credible lender, that the Climate Catalyst Fund can help with gap financing, possibly in the role of a loan participant. This approach will ensure private sector leverage of the Climate Catalyst Funds and provide for a smoother transition to underwriting of new projects and sectors.

The Criteria, Priorities, and Guidelines document provided for consideration is broader than most other IBank program criteria. The reason for this approach is that IBank expects borrower financing needs to be more diverse, and each sector might have different financing needs as well. IBank intends to use its discretion with the Criteria, Priorities, and Guidelines to inform borrowers if their project or business is a strong candidate for Catalyst financing. The goal is to leverage partnerships in both the public and private sectors to enable learning and increase the impact of the capital committed to the Fund – while ensuring that Catalyst Fund investments encourage market activity that is consistent with state policy.

At its inception Catalyst Fund activities will be limited to specific sectors, as outlined in the companion Financing Plan presented via Resolution 22-03. As required by legislation, this Financing Plan memorializes IBank's partnership with the state agencies in charge of policy implementation in the sectors for which Climate Catalyst Fund has capital. The Financing Plan, indicating the types of projects that are eligible for Climate Catalyst Fund support, will be presented to the Board and amended as needed over time. In contrast, the Criteria, Priorities and Guidelines document is intended to be applicable across multiple sectors over an extended timeframe, with minimal amendments as required by fundamental changes in policy or the California marketplace.

Conclusion and Recommendation

IBank staff believes that the document entitled "Criteria, Priorities and Guidelines for the Selection of Projects Under the Climate Catalyst Revolving Loan Fund Program" presents a sound framework for the execution of IBank's legislative mandate to support

critical climate infrastructure in California. Therefore, IBank staff recommends the Board approve Resolution No. 22-02.