

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK

STAFF REPORT

APPROVAL OF CLIMATE CATALYST FUND FINANCING PLAN Federal Greenhouse Gas Reduction Fund (“US GGRF”): National Clean Investment Fund (“NCIF”) Financing Plan

I. Introduction

The California Infrastructure and Economic Development Bank (“IBank”) staff recommends the IBank Board of Directors (the “Board”) adopt Resolution No. 24-16 approving the adoption of the Climate Catalyst Fund Financing Plan – Federal Greenhouse Gas Reduction Fund (“US GGRF”), National Clean Investment Fund (“NCIF”) Financing Plan. IBank is statutorily required to produce Financing Plans for each sector in which the Climate Catalyst Fund will deploy capital, establishing alignment with leading state agencies in those sectors, and articulating project eligibility and evaluation criteria under the Climate Catalyst Fund.

II. 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 sponsors of climate infrastructure projects. A companion resolution, No. 22-02, approved the statutorily required Criteria, Priorities and Guidelines for the Selection of Projects Under the Climate Catalyst Revolving Loan Fund Program, which would govern the activities of the Climate Catalyst Fund across multiple sectors into the future.

Sector-specific Financing Plans, such as the one proposed for financing under the Federal Greenhouse Gas Reduction Fund’s (“US GGRF”) National Clean Investment Fund (“NCIF”), will indicate to the market where IBank will be active, and how it will align with state policy goals for each sector. Both documents are essential to the transparent and efficient functioning of the Climate Catalyst Fund program.

Climate Catalyst Fund statute also requires that each aligned state agency (termed “consulting agency” per statute) submit a letter, for Board consideration prior to approval of a Financing Plan, affirming support for the proposed Financing Plan, and highlighting any areas of disagreement. For the purposes of this Financing Plan, the consulting agencies specified in statute are: The Governor’s Office of Business and Economic Development, Treasurer’s Office, State Energy Resources Conservation and Development Commission, California Environmental Protection Agency, State Air Resources Board, Public Utilities Commission, Natural Resources Agency, Department of Conservation, and Department of Resources Recycling and Recovery. To

avoid unnecessary duplication of effort, these statutorily-named agencies are consolidated under their appropriate agency control structure to include the California Natural Resources Agency; the California Public Utilities Commission; the State Treasurer's Office; the Governor's Office of Business and Economic Development; and the California Environmental Protection Agency. Letters from these consulting affirming support for the Plan are being offered for Board review. No areas of disagreement are highlighted.

Below highlights the significant portions of the financing plan:

Six-Factor Test: The NCIF program allows for the financing of any project that meets the following Six-Factor Test at the time of financing:

1. The project, activity, or technology would reduce or avoid Greenhouse Gas Emissions, consistent with the climate goals of the United States.
2. The project, activity, or technology would reduce or avoid emissions of other Air Pollutants.
3. The project, activity, or technology would deliver additional benefits to communities within one or more of the following seven categories: climate change; clean energy and energy efficiency; clean transportation; affordable and sustainable housing; training and workforce development; remediation and reduction of legacy pollution; and development of critical clean water infrastructure.
4. The project, activity, or technology may not have otherwise been financed.
5. The project, activity, or technology would mobilize private capital.
6. The project, activity, or technology would support only commercial technologies, defined as technologies that have been deployed for commercial purposes at least three times for a period of at least five years each in the United States for the same general purpose as the project, activity, or technology.

Priority Sectors: In addition, EPA has established the following three priority project categories within NCIF:

- Distributed Energy Generation and Storage: Projects, activities, and technologies that deploy small-scale power generation and/or storage technologies (typically from 1 kW to 10,000 kW), plus enabling infrastructure necessary for deployment of such generation and/or storage technologies
- Net-Zero Emissions Buildings: Projects, activities, and technologies that either (1) retrofit an existing building, making a substantial contribution to that building being a net-zero emissions building and as part of a plan for that building achieving net-zero emissions over time, or (2) construct a new net-zero emissions building in a Low-Income and Disadvantaged Community.
- Zero-Emissions Transportation: Projects, activities, and technologies that deploy zero-emissions transportation modes, plus enabling infrastructure necessary for zero-emissions transportation modes—especially in communities that are overburdened by existing diesel pollution, particulate matter concentration, and degraded air quality.

Justice40: Fund projects must also align with the federal Justice40 Initiative, which requires that at least 40% of financing provided through the NCIF Financing Plan is made to a business or project satisfying at least one of a specific list of criteria associated with under-served populations. Further details regarding the criteria described above can be found in the associated Financing Plan.

Other Requirements: NCIF-funded projects must comply with additional federal requirements to be eligible for financing by the Climate Catalyst Program. These requirements include, but are not limited to: the Build America, Buy America Act, Davis-Bacon and Related Acts, the Uniform Relocation Assistance and Real Property Acquisitions Act, the National Historic Preservation Act and Archeological and Historic Preservation Act, the Endangered Species Act, the Farmland Protection Policy Act, and the Coastal Zone Management Act.

Current State of NCIF Funds: Staff notes that California is a named “subawardee” under the winning application of the Coalition of Green Capital (CGC), a national 501c3 nonprofit entity formed for the purposes of providing climate financing to and through state green banks. The negotiation of California’s subaward from CGC is ongoing, with anticipated resolution this fall. Prior to the effectuation of this subaward agreement, staff will return to the IBank Board for approval of relevant parameters of the agreement, along with updates to Criteria, Priorities and Guidelines for the Selection of Projects Under the Climate Catalyst Revolving Loan Fund Program to deploy NCIF capital.

III. Conclusion and Recommendation

IBank staff believes that the document entitled “Climate Catalyst Fund Financing Plan – Federal Greenhouse Gas Reduction Fund (“US GGRF”), National Clean Investment Fund (“NCIF”) Financing Plan” clearly establishes the potential categories and eligibility criteria for financing under the Climate Catalyst Fund, and is consistent with the guidance expressed by the relevant consulting agencies. Therefore, IBank staff recommends the Board approve Resolution 24-16.