

To: Rep. Emma Greenman
Rep. Patty Acomb, Chair, House Climate and Energy Finance and Policy Committee
Sen. Tou Xiong
Sen. Nick Frenztz, Chair, Senate Energy, Utilities, Environment and Climate Committee
Rep. Melissa Hortman, Speaker of the House
Sen. Kari Dziedzic, Majority Leader
Comm. Grace Arnold, Minnesota Department of Commerce
Deputy Comm. Michelle Gransee, Department of Commerce Division of Energy Resources

From: Coalition for Green Capital

Re: Minnesota Approach to Greenhouse Gas Reduction Fund (GHGRF)

The Coalition for Green Capital has been creating and supporting green banks in the United States since 2009. During that time, we have taken the lead on several federal legislative efforts to create a national green bank, including National Green Bank Act of 2019 and the Clean Energy and Sustainability Accelerator Act of 2021. We were widely understood to be the nation’s leading outside advocates for those two bills. During negotiations over the Inflation Reduction Act, Congress translated the Clean Energy and Sustainability Accelerator Act into the “Greenhouse Gas Reduction Fund” to satisfy the Senate’s budget reconciliation requirements. We are currently working on detailed plans for implementing the fund and will apply to administer a significant portion of the GHGRF’s \$20 billion pot. Based on our understanding of EPA’s decisions so far, creating the Minnesota Climate Innovation Finance Authority is the best way to bring as much GHGRF investment as possible to the state.

The Greenhouse Gas Reduction Fund makes \$27 billion available to finance clean energy projects. These funds are split into two pots:

1. \$7 billion to support low-income solar projects and associated upgrades. States, cities, and certain nonprofits are eligible to apply for funds from this pot. EPA has announced it will make up to 60 awards, suggesting that approximately one award will be made per state. According to EPA, the request for proposal will be issued in “early summer” with applications due during the fall.
2. \$20 billion fund for financial mechanisms such as direct lending, credit enhancement, and project finance to stimulate emissions-reducing investment around the country. EPA has announced that it will capitalize a small number of national nonprofit entities (between 2 and 15) to serve as intermediaries for a wide range of new and existing green finance institutions (such as green banks, CDFIs, credit unions, and others) around the country. The national nonprofit recipients will then work with partner entities around the country to distribute funds on appropriate timelines, almost certainly via a competitive subgrant process.

In our view, the Minnesota Department of Commerce is well-positioned to serve as the state’s applicant for the \$7 billion pot of funding. The department is very likely to design a high-quality plan for expanding low-income solar access that wins an award from EPA.

At the same time, creating the Minnesota Climate Innovation Finance Authority or similar entity will position Minnesota as a top-tier applicant for the competitive \$20 billion pool for the following reasons:


- First, entities that receive funds through the \$20 billion pot will be expected to deploy specialized financing mechanisms such as loan loss reserves, non-recourse project finance, and project aggregation plus securitization. These entities must engage in market development activities to stimulate demand, build robust local supply chains, and partner with local investors such as credit unions and CDFIs – all elements incorporated into HF 2336 and SF 2301. The Legislature has crafted an Authority that will complement rather than duplicate work by existing lenders and other stakeholders such as the Department of Commerce, the state’s Housing Finance Agency, the St. Paul Port Authority, the Minnesota Center for Energy and the Environment and others.
- Second, the Legislature’s stamp of approval will provide the Minnesota Climate Innovation Finance Authority with credibility, focus, and a mandate to develop an investment strategy that shows a clear ability to deploy funds in full alignment with the GHGRF’s goals.
- Third, the legislature has specifically required the Authority to coordinate with other known applicants for the federal funds, showing the legislative authors’ clear commitment to ongoing coordination and partnership with others in the clean energy finance ecosystem.

The Coalition for Green Capital believes that an initial appropriation between \$25 Million and \$45 Million to the Climate Innovation Finance Authority will maximize Minnesota’s competitiveness for the federal funds in the Greenhouse Gas Reduction Fund, particularly given other state’s recent actions.

For these reasons and more, we believe that legislative enactment of the Minnesota Climate Innovation Finance Authority will make a very strong case for exceeding the state’s per capita allocation of approximately \$350 Million, possibly doubling or even tripling that allocation from the federal Greenhouse Gas Reduction Fund over 10 years and attracting even more via private investment.

We are very pleased to see Minnesota on the cusp of joining the 18 other states with active climate authorities and similar entities. Please contact me with any questions.

Sincerely,



Henry Litman,
Senior Vice President of Investment