State Energy Financing Institution (SEFI) Projects (1703)

TITLE 17

State Energy Financing Institution (SEFI)-Supported Projects (1703)

SEFI projects support deployment of a qualifying clean energy technology and receive meaningful financial support or credit enhancements from an entity within a state agency or financing authority.

SEFI projects are <u>not</u> required to employ innovative technology.

SEFI Opportunity – What is a SEFI?

"State Energy Financing Institution," or "SEFI," is an LPO designation for a State entity that provides financial support to energy projects.

Potentially: Energy Offices, Green Banks, Clean Energy Funds/Lending Centers, Housing Finance Agencies, Economic Development Authorities, and other state agencies that finance energy projects.

Note: A local government or independent non-profit (non-quasi government) is generally <u>not</u> a SEFI.

What state agencies or quasi-public entities fund energy projects in your state?

SEFI Strategies – NYSERDA Funding Program

NEW YORK STATE

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BACK TO FIND A PROGRAM

State Energy Financing Fund

A financing vehicle to unlock complementary state and federal funding for the deployment of capital for financing technologies to decarbonize the built environment.

The State Energy Financing Fund provides a complementary funding opportunity for entities actively working with or applying to the U.S. Department of Energy (DOE) Loan Programs Office (LPO) Title 17 Clean Energy Financing Program's Section 1703, to support capital deployment for projects in New York State that reduce emissions from the built environment, including buildings and other infrastructure.

The federal program was authorized by Title 17 of the Energy Policy Act of 2005 and issues loan guarantees to eligible innovative energy projects with a category for State Energy Financing Institution (SEFI)-supported projects that align federal energy priorities with those of U.S. States.

NYSERDA expects to deploy up to $20 Million of direct capital and credit enhancements to eligible entities, at an amount not to exceed the lesser of $5 Million or 3% of an eligible applicant's proposed project portfolio amount.

Benefits to Your Institution

NYSERDA's financial support is intended to increase access to the Title 1703 loan guarantee program. Lowering the cost of a direct LPO loan or a loan guarantee, Title 1703 guarantee helps reduce potential barriers for eligible applicants looking to scale decarbonization products and solutions, and in turn advance New York's climate goals more affordably.

SEFI Strategies – Michigan RFI

Department of Environment, Great Lakes, and Energy

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Michigan seeks input on bold steps to advance clean energy economy by tapping into billions in federal funding, helping businesses invest, and meeting the state's climate goals

December 15, 2023

Feedback due Jan. 31 on program to leverage financing for clean energy projects from the U.S. Department of Energy's Loan Programs Office

The State of Michigan is inviting input on a historic opportunity to leverage significant federal financing for clean energy generation and infrastructure, economic development, supplier retooling and diversification, and other related projects in Michigan. Billions of dollars in federal loans and loan guarantees are available to invest in climate- and energy-related projects through the U.S. Department of Energy's (DOE) Loan Programs Office (LPO). Michigan is committed to fully decarbonize the state's economy by 2050 and generate 100% of the state's power from clean sources by 2040.

Several state departments, including the Michigan Department of Environment, Great Lakes,

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SEFI Strategies – Michigan RFI

MI HEALTHY CLIMATE PLAN

Request for Information

Las personas que necesiten asistencia lingüística o adaptaciones para participar de forma efectiva deberán ponerse en contacto con Joel Roseberry (517-599-9494, RoseberryJ@Michigan.gov) para recibir asistencia.

على من يحتاج لمساعدة لغوية أو غيرها من المساعدات الخاصة الاتصال بجويل روزبيري للحصول على هذه المساعدة عبر البريد الإلكتروني
roseberryj@michigan.gov أو عبر الهاتف (517-599-9494)

BACKGROUND

With expanded state and federal funding support and ambitious state climate and clean energy goals, the State of Michigan is seeking additional input and stakeholder engagement to inform strategic, equitable implementation of the MI Healthy Climate Plan (MHCP), including the recently signed clean energy legislation. In September 2020, Governor Whitmer signed Executive Directive 2020-10, committing Michigan to economy-wide carbon neutrality no later than 2050 and charged EGLE, through the Office of Climate and Energy (OCE), with developing the MHCP. Then, in November 2023, the

Specifically, EGLE seeks initial input to inform how to best leverage the DOE LPO SEFI-Supported category of the Title 17 Clean Energy Financing Program. Through this program category, LPO can augment state-administered clean energy programs, providing additional financial support to projects that align federal energy priorities with those of U.S. states like Michigan.

TYPES OF POTENTIAL PROJECTS

With the passage of the IRA, the DOE LPO is now able to waive the "innovation requirement" for its Title 1703 program when a SEFI is making a meaningful contribution of funds to an emissions reducing project. This means that, with the State of Michigan allocating funds to a project or portfolio of projects, DOE LPO funds (which have previously only been available for technology that has not yet reached full commercialization) can be focused on supporting technologies that are ready to deploy at scale. Given the following key deployment targets in the MHCP and the clean energy laws, EGLE seeks input on ways it could design a program that ensures SEFI funds make the maximum impact across the state.

MHCP and the clean energy laws deployment targets and estimates:

1. EV charger installation: 100,000 chargers by 2030
2. Energy storage deployment: 2500 MW by 2030
3. Heat pump conversions: 200,000 buildings
4. Retrofits: more than 2 million buildings at a 30% efficiency by 2030
5. Clean energy: 100% clean by 2040 and 50% renewable by 2030.
6. Energy burden: reduce energy burden to no greater than 6% for low-income communities.
7. Environmental Justice: ensure that at least 40% of benefits of climate-related funding reach disadvantaged communities.

SEFI Strategies – New Jersey EDA

REQUEST FOR EXPRESSIONS OF INTEREST (RFEI)

Request for Expressions of Interest (RFEI) – New Jersey Green Fund

REQUEST FOR EXPRESSIONS OF INTEREST (“RFEI”)

New Jersey Green Fund

The deadline for the NJ Green Fund RFEI has been extended indefinitely, until a formal application has launched.

1.0 Purpose and Intent

To meet New Jersey’s ambitious clean energy goals, the New Jersey Economic Development Authority (“NJEDA”) is issuing a Request for Expressions of Interest (“RFEI”) from project developers, owners, financial institutions, and other relevant parties seeking capital from the NJEDA through the New Jersey Green Fund (“NJGF”), a planned initiative that will be housed within the NJEDA to invest in clean energy projects in the State. Currently contemplated NJGF products include warehousing and aggregation credit facilities; credit enhancements; pre-development and construction financing; and term loans and investments, amongst other structures. The purpose of this RFEI is to help inform the NJGF on desired financial structures and investment products best suited to the needs of the marketplace and help accelerate progress toward the State’s clean energy goals. Additionally, through the responses to the RFEI, the NJEDA can best determine the scale of financing needs across various NJGF products and market sectors. Please note, providing a response to this RFEI is not a formal application for funding nor a binding intent to pursue investment opportunities that may be made available through the NJGF in the future.

NJEDA is seeking expressions of interest from Respondents that identify specific sites, projects, or assets (“project”) within New Jersey that are interested in financial support from the planned NJGF. To be eligible for the anticipated NJGF financial support, assets/projects must be seeking at least $5 million in capital and must be new projects rather than ones seeking refinancing. In particular, NJEDA is looking to support projects in New Jersey that have financial needs that ...ncial tools available on the private market

da.gov/wp-content/uploads/2023/11/NJGF-RFEI-Final.pdf

Let’s Talk About Your Project

Contact LPO to see what financing options may be available for your project

Questions?

Reach out to us with SEFI questions at SEFI@hq.doe.gov

Download the full Title 17 Guidance document at: **Energy.gov/LPO/Clean-Energy**

Learn more about LPO and all of its financing programs at: **Energy.gov/LPO**

WEBINAR

NASEO Winter Meeting

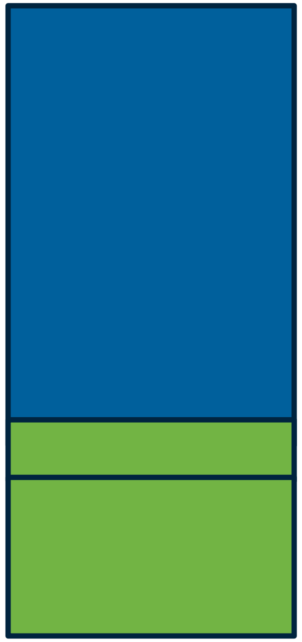
Presented by

Hans Riemer • Senior Advisor (Contractor)
LPO Outreach & Business Development

29 January 2024

Capital Stack Visual: SEFI As Borrower

Purpose is lending to projects that are too small to apply directly to LPO



At least 20% of project cost

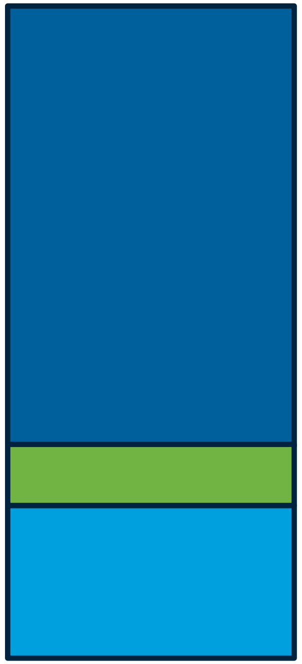
LPO loan (maximum 80% of total project cost, expect less)

SEFI meaningful support investment to qualify under Title 17 with no technology innovation requirement

Equity capital organized by SEFI; SEFI/SPV is project sponsor and borrower

Capital Stack Visual: SEFI As Investor

For larger projects that apply to LPO…



At least 20% of project cost

LPO loan (maximum 80% of total project cost, expect less)

SEFI meaningful support investment to qualify under Title 17 with no technology innovation requirement

Sponsor and private equity (could be philanthropic)

Title 17 Lending Overview

General Terms & Considerations

- The amount of the LPO-guaranteed obligation cannot exceed 80% of eligible project costs (as defined by statute and regulations and determined by LPO).
- The tenor of the guaranteed obligation cannot exceed the lesser of (a) 30 years and (b) 90% of the projected useful life of the assets.
- LPO cannot be subordinated to any other financing.
- With limited exceptions, the project generally cannot benefit (directly or indirectly) from other Federally appropriated funds.
- Projects receiving LPO support must comply with applicable federal laws and requirements including but not limited to NEPA, Davis Bacon, and the Cargo Preference Act.

Lender/Guarantee Options

- Direct loan from U.S. Treasury's Federal Financing Bank (FFB) backed by 100% "full faith and credit" DOE guarantee. Note: Applicants **do not** apply directly to FFB; Title 17 loan applications are managed through LPO.
- DOE partial guarantee (up to 90%) of commercial debt from Eligible Lenders.

Interest Rates and Fees

Interest Rate (see "Credit Based Interest Rate Spread" slide)

- Base cost of capital for FFB loans: Treasury + 3/8ths (0.375%)
  - Fixed at the time of each draw according to the Treasury rate for the applicable tenor as of that date
- Credit-based interest rate spread or risk-based charge

Fees & Costs (see "Fees and Costs" slide)

- No application fees
- Facility fee (due at or before financial close)
  - 0.6% on first $2 billion of commitment; 0.1% for portion exceeding $2 billion
- Maintenance fee annually post-closing (max $500K)

Note: These fees are not eligible costs – applicant may not finance them using the guaranteed obligation.

- Applicant pays for both its own and DOE's external advisors as incurred

Additional Project Considerations

- *Federal Support Restriction:* Tax benefits that the project is otherwise eligible for generally do not implicate this restriction.
- *Other Requirements:* NEPA, Davis Bacon, Cargo Preference, Community Benefits Plans; Build America Buy America for gov/nonprofit borrowers.
- *$100M+:* Due to application-related costs such as technical, market and legal due diligence (including tasks such as producing engineering reports and drafting term sheets), $100M is often considered the point where an LPO loan starts to pencil out.
- *Other:* Typically project finance, but sometimes corporate, asset-backed or other approaches

SEFI Opportunity – How SEFIs Can Support Projects

For SEFIs, making awards to LPO applicants is typically more straightforward than applying to LPO directly, but some SEFIs may choose the latter based on program goals.

Option 1: SEFI Provides Qualifying Awards to LPO Applicants	**Option 2:** SEFI Bundles Projects into SPV; SPV Applies Directly to LPO
Enables large projects to qualify for LPO financing under the SEFI project category but does not create capital pool for smaller projects.	Creates a capital pool for smaller projects that couldn't apply to LPO on their own. (Note: an SPV is not a requirement.)
SEFI does not need to provide information about the projects.	Requires significant detail about bundled projects, including a portfolio rating.
SEFI is only responsible for providing awarded funds.	Requires the SEFI not only to contribute "meaningful support" but also ensure that the SPV will receive "significant equity" (IFR 609.5(b)(5)) from non-LPO sources.
SEFI exposure is limited to the amount of the award, with no additional requirements.	Means the SEFI would take on risk and have compliance requirements and liabilities, application costs, and upfront fees.

The Next Generation of LPO Financing

LPO is working with stakeholders across innovative clean energy & advanced transportation sectors

Advanced Vehicles & Components
Vehicles • Components • Lightweighting • Manufacturing • Electric Vehicle (EV) Battery Manufacturing

Biofuels
Advanced Biofuels • Biodiesel • Cellulosic Biofuels • Renewable Diesel • Renewable Natural Gas (RNG) • Sustainable Aviation Fuel (SAF)

Critical Materials
Extraction • Manufacturing • Mining • Processing • Recovery • Recycling

EV Charging
Deployment • Manufacturing

Hydrogen
Generation • Infrastructure • Transportation

Offshore Wind
Offshore Wind Generation • Offshore Wind Supply Chain & Vessels

Renewable Energy
Electrification • Geothermal • Hydrokinetics • Hydropower • Repowering Onshore Wind • Solar Supply Chain • Waste Conversion

Storage
EV Bidirectional Storage • Newer Battery Chemistries & Flow Batteries • Compressed Air Energy Storage • Pumped Storage Hydropower • Thermal Energy Storage

Transmission
Grid Efficiency • Grid Reliability • High-Voltage Direct Current (HVDC) Systems • Offshore Wind Transmission • Systems Sited Along Rail & Highway Routes

Virtual Power Plants
Connected Distributed Energy Resources (DERs)

Advanced Fossil
Carbon Feedstock Waste Conversion • Fossil Infrastructure Repurposing & Reinvestment • Hybrid Generation • Hydrogen Generated From Fossil Sources • Synfuel

Carbon Management
Carbon Capture & Storage (CCS) • Carbon Dioxide Removal (CDR) • Direct Air Capture (DAC) • Industrial Decarbonization • CO_2 Transportation Infrastructure

Advanced Nuclear
Advanced Nuclear Reactors • Micro Reactors • Nuclear Fuel Cycle • Nuclear Supply Chain • Nuclear Uprates & Upgrades • Small Modular Reactors (SMRs)

Tribal Energy
Energy Development Projects • Energy Storage • Fossil Energy • Microgrids • Renewable Energy • Transmission Infrastructure • Transportation of Fuels

LPO Financing Programs

Title 17 Clean Energy (Title 17)

Financing for:

- Innovative Energy & Innovative Supply Chain (1703)
- **State Energy Financing Institution (SEFI)-Supported (1703)**
- Energy Infrastructure Reinvestment (EIR, 1706)

Tribal Energy (TELGP)

Financing for:

- Tribal energy development projects

Advanced Transportation (ATVM)

Financing for:

- Manufacturing of advanced technology vehicles, several modes of ATVs, components, and EV charging infrastructure

CO_2 Transportation Infrastructure (CIFIA)

Financing for:

- Large-capacity, common carrier CO_2 transportation projects

SEFI Potential Projects (1 of 3)

Virtual Power Plants

Following are just a few of the potential models for residential or commercial:

1. Energy office provides SEFI award to national VPP company as LPO applicant to implement in State.
2. Green bank provides SEFI support to program manager as applicant for low-cost loans for consumers.
3. On-bill financing by utility for solar/storage; Utility provides lower rates to consumer by using LPO. SEFI support provides additional incentive for customers.

Affordable Housing

- Affordable housing owner retrofits buildings to create VPPs, achieve net zero.
- Housing agency makes SEFI awards to affordable housing providers who combine as applicant.
- Note: Identifying units and project designs that do not rely upon other federal funds.

District energy systems, higher ed

- Education campus building decarbonization.
- District energy systems with generation potentially eligible for 1706/EIR (do not have to be campus based).
- System operator, project delivery company or school applies to LPO.

SEFI Potential Projects (2 of 3)

Fleet electrification + VPP

- State/muni partners stop buying ICE vehicles, contract with ZEV fleet company to provide vehicles as a service, charging, storage, VPP/grid services. Fleet company applies to LPO for debt to implement project.
- For private sector, SEFI borrows from LPO to provide low-cost financing to companies for fleet upgrades.

Industrial decarb / green jobs

- SEFI provides economic development incentive to company to make decarb investments across multiple facilities. Company applies to LPO.
- Or SEFI borrows to create capital pool for smaller projects.

In all cases, SEFI provides grant or other meaningful support to the project.

SEFI Potential Projects (3 of 3)

Community energy projects

- Tax credits finance majority of cost for renewable portfolio with storage/ VPP serving low-income communities.
- Energy office provides SEFI grant.
- Project developer or municipality applies to LPO for loan to implement project.

Government building decarbonization

- Portfolio of government buildings aggregated; energy projects procured.
- Project company applies to LPO.

Commercial building decarbonization

- Energy administration makes SEFI awards to commercial portfolio for project, allowing project company to borrow from LPO.
- SEFI borrows from LPO to make smaller awards from LPO backed capital pool.

In all cases, SEFI provides grant or other meaningful support to the project.

Defining SEFI "Meaningful Support"

Examples of SEFI support may include, but are not limited to:

- Providing equity/subordinate portion of capital stack
- Providing loan loss reserve with respect to junior portion of capital stack
- Co-lending with LPO (pari-passu or mezzanine)
- Providing financial backstop for specific key project elements that may be subject to regulatory or local market risk

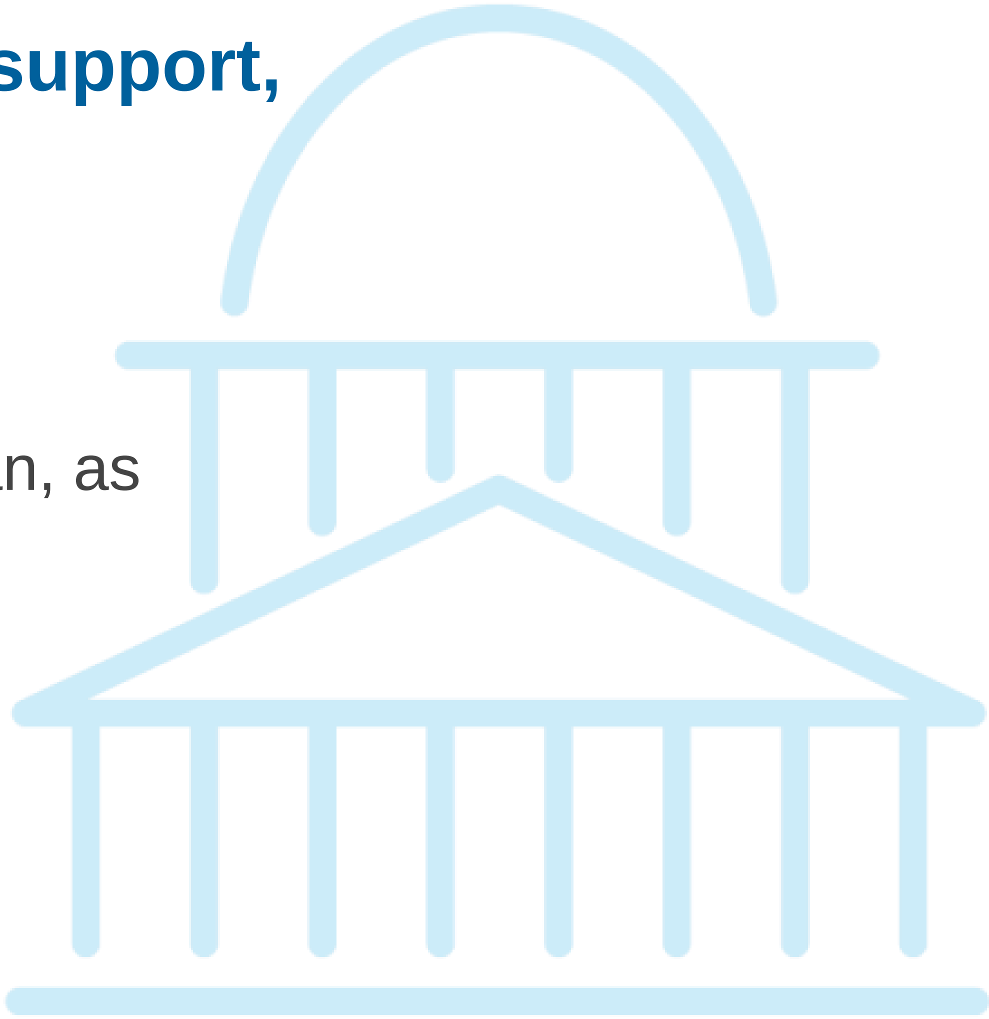
Policies such as a state Renewable Portfolio Standard (RPS), property tax exemption, or other state tax credit that is not project-specific, do not constitute financial support or credit enhancement.

SEFI Opportunity – Project Requirements

In addition to receiving qualifying SEFI support, projects must:

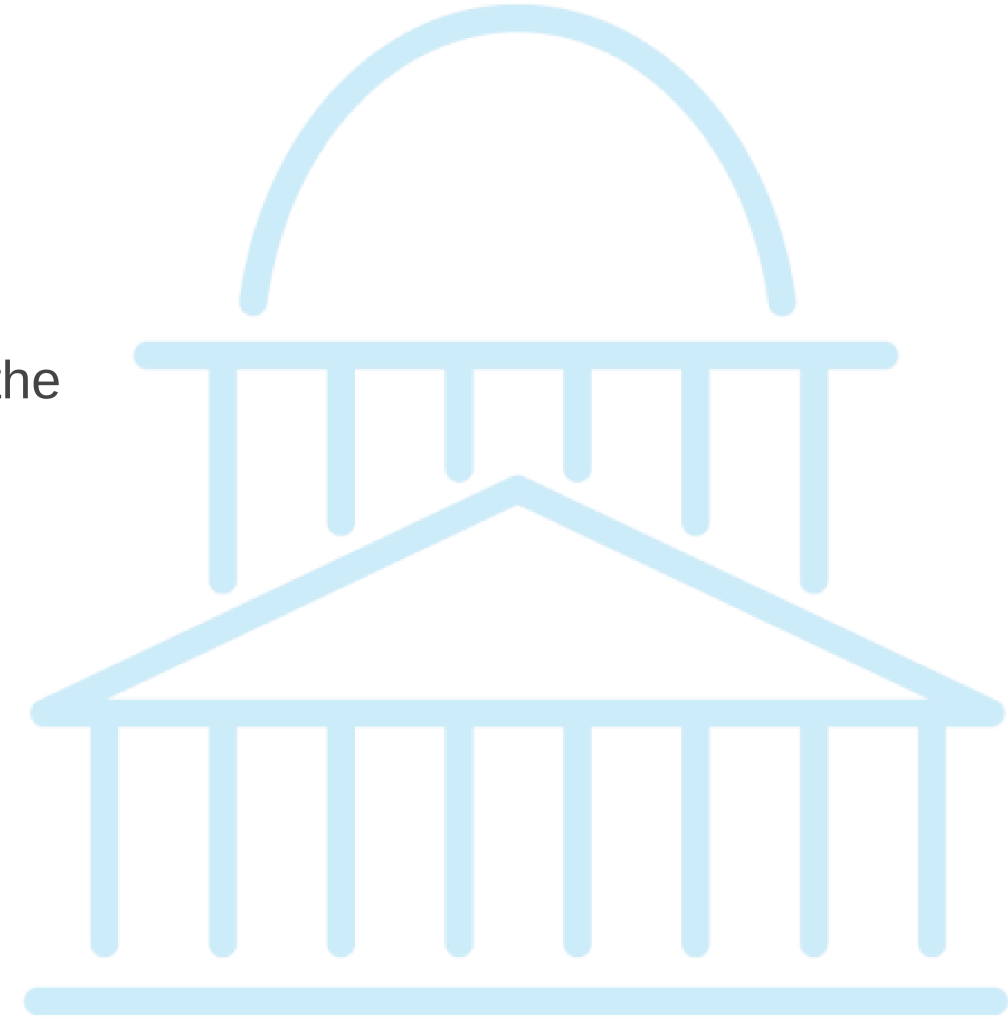
- ✓ Reduce greenhouse gas emissions.
- ✓ Have a reasonable prospect of repaying the loan, as assessed during LPO's rigorous due diligence.
- ✓ Employ at least one of 13 eligible technologies.

Note: Projects do <u>not</u> have to use innovative tech.



SEFI Opportunity – Benefits of a Funding Awards Program

- ✓ Allows State to RFP the private sector to identify project concepts addressing State priorities.
- ✓ Attracts national projects to the State.
  - States can set requirements for local investment (e.g., 20x the state award dollars must be spent in the state) for projects to receive SEFI support.
- ✓ LPO often is familiar with projects looking for State/SEFI partners.
- ✓ LPO can refer applicants to SEFIs that have a funding opportunity.
- ✓ LPO can publish a SEFI funding program on the LPO website.



SEFI Opportunity – How SEFIs Can Support Projects

Option 1: SEFI provides qualifying awards to LPO applicants

- SEFI's can back projects on an individual or ad-hoc basis, enabling those projects to apply to LPO.
- **To simplify/scale, some SEFI's are establishing funding programs:**
  1. SEFI designs funding awards program to support projects applying for LPO loans.
  2. Projects apply to both SEFI and LPO.
  3. SEFI makes contingent award calibrated to provide "meaningful support" in the capital stack.

TITLE 17

Energy Infrastructure Reinvestment (EIR) Projects (1706)

Energy Infrastructure Reinvestment (EIR) Projects (1706)

EIR projects retool, repower, repurpose, or replace energy infrastructure that has ceased operations or enable operating energy infrastructure to reduce air pollutants or emissions of greenhouse gases.

EIR projects are not required to employ innovative technology.

Energy Infrastructure Reinvestment 1706

Financing to leverage existing U.S. energy infrastructure for the clean energy future

Project Eligibility

In addition to meeting the common Title 17 eligibility requirements, EIR projects must:

1. Retool, repower, repurpose, or replace energy infrastructure that has ceased operations, **OR**
2. Enable operating energy infrastructure to avoid, reduce, utilize, or sequester air pollutants or anthropogenic emissions of greenhouse gases.

What is "Energy Infrastructure"?

A facility, and associated equipment, used for:

- The generation or transmission of electric energy;

OR

- The production, processing, and delivery of fossil fuels, fuels derived from petroleum, or petrochemical feedstocks.

Notes

- EIR projects **DO NOT** have an innovation requirement.
- Conditional commitments must be issued by **September 30, 2026**.
- **Environmental remediation** costs and **refinancing outstanding indebtedness directly relevant to the energy infrastructure** can be eligible for EIR financing as part of a larger reinvestment plan.

Energy Infrastructure Reinvestment

1706

Financing to leverage existing U.S. energy infrastructure for the clean energy future

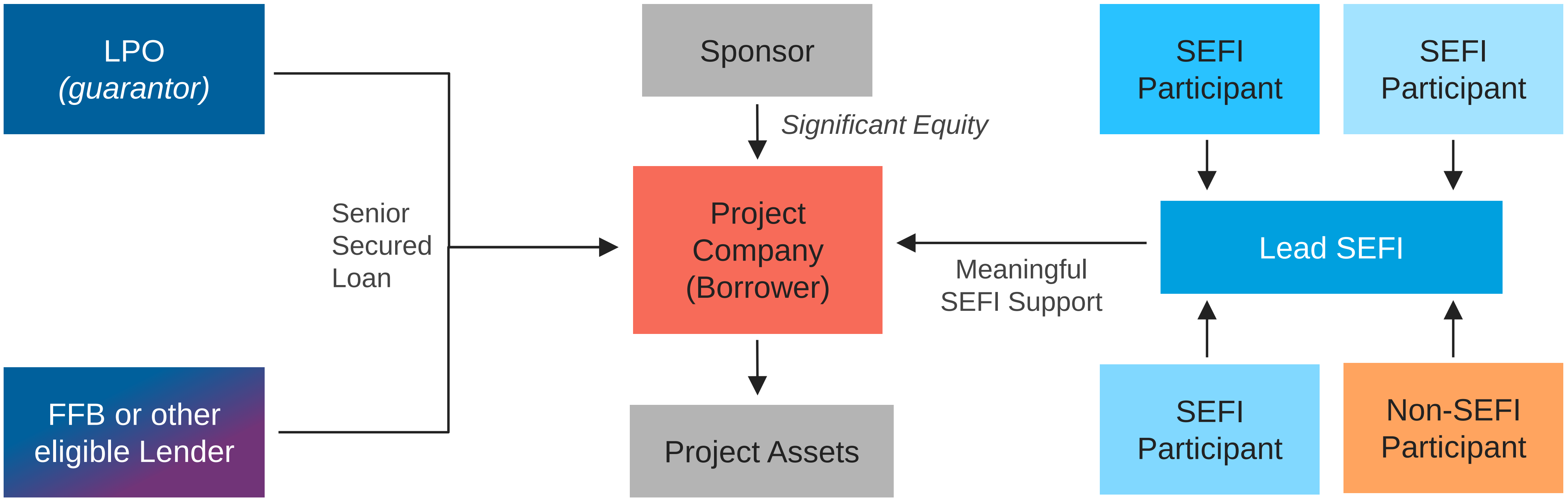
Example Projects

Power plant (or associated infrastructure) retooled, repowered, repurposed or replaced with:

- Renewable energy (and storage)
- Distributed energy (e.g., VPPs)
- Transmission interconnection to off-site clean energy
- New manufacturing facilities for clean energy products or services
- Nuclear generation

- Reconductoring transmission lines and upgrading voltage
- Installing emissions control technologies, including carbon capture and sequestration (CCS)
- Repurposing oil and gas pipelines (e.g., for H_2, CO_2)
- Upgrading refineries for biofuels or hydrogen
- Upgrading or uprating existing generation facilities (with emissions control technologies for projects involving fossil generation)

Multi-SEFI via Lead SEFI



1 **Lead SEFI enters into meaningful support agreement with Borrower on specified terms and a senior loan and guaranty agreement with LPO and the Lender.**

Meaningful SEFI Support could take the form of a grant, a debt facility, or a loss reserve.

2 **Lead SEFI enters into Participation Agreements with other interested SEFIs.**

Non-SEFIs may also participate but their portion of the investment generally will not count as SEFI support for the purposes of the meaningful support determination.

Community Benefits Plans

A New Title 17 Project Application Requirement

- ✓ **A Community Benefits Plan (CBP) is now considered in the evaluation of Title 17 project applications.**
  - LPO can discuss and provide feedback during pre-application consultations.
  - CBPs will be preliminarily evaluated during the Part II evaluation.
  - Applications with inadequate CBPs may not be invited to proceed to due diligence.
- ✓ **LPO considers the quality of a CBP among the factors that indicate the prospect of loan repayment.**
- ✓ **LPO is leveraging commitments made for state and city incentives, and IRA Incentives.**
- ✓ **Borrowers will report on their fulfillment of goals and activities included in the CBP.**

CBP Four Priorities

1) **Justice 40**
2) **Diversity, Equity, Inclusion, and Accessibility**
3) **Quality Jobs**
4) **Community & Labor Engagement**