Seizing the opportunity

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The Inflation Reduction Act of 2022 is the federal government's largest investment in clean energy and climate change in American history. Among the law's many programs is the Greenhouse Gas Reduction Fund (GGRF), a competitive grant program that will disburse $27 billion for clean energy and climate projects that reduce greenhouse gas emissions, with an emphasis on projects that benefit low-income and disadvantaged communities. Solar for All (SFA) is one of three funding opportunities in the GGRF, focused on expanding the number of low-income households and disadvantaged communities primed for solar.

SFA will provide up to 60 grants to states, tribal governments, municipalities and nonprofits, totaling $7 billion. Grant applications were submitted to the U.S. Environmental Protection Agency (EPA) in October 2023; notification of grantees is planned for March 2024, with subsequent issuance of awards in July 2024.

With the imminent timing of the SFA grant award announcements, grant applicants are starting to think ahead about SFA planning and implementation. On February 14, 2024, EY professionals hosted a webinar, "Seizing the Opportunity: Planning and Implementation for Solar for All," to provide an open forum for grant applicants and other solar ecosystem participants to discuss opportunities and anticipated challenges associated with launching and implementing SFA programs.

Applicants representing more than 20 states attended the webinar, participating in a discussion that covered a broad set of topics, including program creation; development of commercially viable financial assistance programs; and complementary federal funding and incentives opportunities, such as clean energy tax credits, workforce development, local contractor capacity and capabilities, blended public-private financing approaches and the expansion of green banks nationwide.

An overarching theme of the webinar was the need for collaboration across the ecosystem — within states, among states, and across various community and nonprofit and private partners. We hope this webinar, and similar collaborative forums, can serve as an opportunity to help foster the collaboration and relationships necessary for successful SFA implementation across the country.

This webinar would not have been possible without our panelists, whose unique perspectives and collaborative spirits enabled a rich discussion, filled with innovative ideas and tremendous insight.

Summarized below are key **SFA opportunities and implementation challenges** discussed during the webinar. We look forward to continuing the conversation across these topics as we move into the SFA program planning period.

Solar for All opportunities

SFA provides the opportunity to expand solar access and adoption across the United States, particularly for low-to-moderate income (LMI) households and disadvantaged communities (DACs). The impact of SFA can be further enhanced when complemented by other new or expanded federal programs (e.g., tax credits) and private sector partnerships.

Tax credits

During the webinar, panelists discussed the opportunity associated with the alignment of SFA funds and the clean energy tax incentive regime, which includes advantages like investment tax credits (ITCs) for individuals and corporations. For example, individuals can claim tax credits (e.g., Section 25D) for qualified expenditures on residential energy efficiency upgrades. Today, approximately 40% of eligible taxpayers, predominantly LMI households and DACs, do not benefit from these incentives due to a lack of tax liability or available up-front funds necessary to claim the tax credit and receive reimbursement later. To help address this challenge under Section 48 ITCs, the Inflation Reduction Act (IRA) allows for monetization of the tax credit by either allowing corporations to sell the tax credits or providing a direct pay option for nonprofit entities like government agencies. Under Section 48, a corporation or nonprofit entity could own residential solar assets and lease them back to households, claiming these credits on behalf of households that otherwise would not be able to avail themselves of the benefit, enabling LMI households, DACs or otherwise ineligible households to benefit from the energy efficiency upgrades incentivized by the tax credit.

Workforce development

Several panelists raised the importance of workforce development to ensure that all states and communities have the labor capacity and requisite skills to install and maintain solar infrastructure. Today, many states do not have the workforce needed to handle the expected increase in the solar installation demand driven by SFA. SFA allows up to 25% of total funds awarded to be used on nonfinancial efforts, which can include workforce development programs, such as partnerships with higher education and labor groups, to provide training and reach a diversity of contractors. Grantee investment in workforce development partnerships and programs can have several co-benefits, including increased community trust, economic development and increased solar adoption in target communities. For example, an SFA grantee may choose to invest in the delivery of a solar training program for a local contractor; this will allow the contractor to upskill and potentially expand their workforce, as well as encourage their existing clients and broader community to participate in SFA programs.

Leveraging SFA funds effectively

A key pillar of the GGRF and SFA is for grantees to leverage private markets and capital to further the impact of awarded public funds. Panelists raised the opportunity to bundle and securitize SFA loans as a means to engage with financial markets, noting that creating this secondary market can extend the impact of SFA and accelerate the speed by which the initial funds deployed can be "recycled" back into the newly established programs. Precedents exist for securitizing government-backed loans and creating new markets, such as mortgage-backed securities packaged by Fannie Mae and Freddie Mac, or student loan asset-backed securities that can contain federal student loans. Panelists also noted that financial institutions are already familiar with certain public-private blended financing structures (e.g., federally backed first-loss guarantees), and similar structures may work for SFA programs as well. There is room for creativity and innovation for grantees to engage with the private sector and multiply the impact of their SFA programs.

Implementation challenges

While SFA is regarded as a once-in-a-generation opportunity, realizing that opportunity is not without its challenges. During the webinar, panelists discussed numerous challenges related to SFA implementation and potential solutions. Key challenges discussed include the **regulatory landscape**, **program creation and management**, **deploying SFA funds** and **education**.

Regulatory landscape

Panelists raised that the regulatory context related to residential and community solar varies significantly across states. While some states have favorable policies — including shared renewables legislation (currently enacted in 24 states), virtual net metering or solar renewable energy credit (SREC) markets — other states have policies that may prevent implementation of aspects of SFA, including restrictions on third-party ownership of community solar or unfavorable net metering policies.

This varied regulatory landscape presents challenges in standardizing SFA program strategies and approaches across states. Further, grantees in states without favorable solar policies will face additional hurdles in standing up SFA programs; one panelist recommended that grantees in this position connect with their state energy offices, which typically have deep experience working on related policies and with legislators, as well as with utilities and other relevant stakeholders.

Program creation and management

Panelists noted that grantees would likely need to stand up several new, multistakeholder programs to achieve SFA objectives. Programs may be created to service specific households, target communities or project types. Each program is also likely to have unique factors (e.g., financial structures, public policy, regulatory environment), which should be considered during program design.

To help manage multiple complex programs, one panelist provided the example of a "hub-and-spoke" model as a means to centrally manage bespoke programs. In this context, a state entity or trusted nonprofit would serve as the central hub, engaging with a range of community groups, subscription servicers that subscribe households to receive renewable energy through existing infrastructure, and contractors or other partners — the spokes — that are running localized programs to service LMI households and DACs or tribal and other target communities. The hub can share resources with and enable collaboration across the spoke organizations and those spoke organizations report back to the hub on the progress. This can be an effective model for grantees to manage SFA subprograms, particularly when partnering with a diverse group of stakeholders.

Deploying SFA funds

Disbursing solar financing to LMI households and DACs was another challenge raised by panelists. Today, financial institutions rely on credit scores (e.g., FICO) to inform consumer lending decisions. While part of SFA's intent is to make capital available for LMI households and DACs that would otherwise not be able to access traditional lines of credit, there is still the challenge of mitigating default risk when deploying SFA-funded loans or lease products. The panelists discussed several potential solutions to this challenge, particularly for grantees that have not managed programs similar to SFA previously. Panelists recommended exploring partnerships with existing green banks or community development financial institutions (CDFIs) and community development credit unions (CDCUs), which have experience issuing financial products similar to those for SFA and working with LMI households and DACs, respectively. If grantees are interested in partnering with traditional lenders, panelists noted the importance of identifying default risk mitigants beyond credit scores, including household savings on energy bills, energy efficiency upgrades, and consumer education on solar panel operation and maintenance. Innovative solutions to this challenge are already in the market, including programs in New York and Hawaii that provide public or utility-backed credit enhancements to reach the lowest income communities.

Ecosystem education

Realizing the full potential of SFA demands comprehensive education and engagement across all ecosystem players. To achieve this objective, panelists emphasized the necessity for tailored education to specific stakeholders, including target communities, labor and contractor communities, nonprofits, CDFIs and local governments. Effective communication with LMI households and DACs regarding the financial and energy opportunities afforded by SFA can help empower individuals to drive demand and fully utilize program benefits. Equally important is the education of ecosystem partners, including nonprofits, local credit institutions and public officials. For example, nonprofits should be equipped to serve as solar community owners while also offering technical assistance to households in need. Educating local credit institutions about SFA and its deployment mechanisms is important to overcoming financing challenges for developers, with panelists underscoring the vital role of local financial entities as a pivotal link between small businesses and larger capital sources necessary to magnify SFA's impact. Furthermore, personnel within grantee organizations (e.g., local government officials) should be provided with the educational resources required for readiness in managing and deploying SFA funds, including federal program compliance. Education about SFA is paramount to enhancing the preparedness of stakeholders to provide the resources and capacity required to achieve SFA objectives.

Collaboration is key: next steps for SFA planning and implementation

Every panelist highlighted the importance of **collaborating across the ecosystem**. Innovative strategies and partnership across governmental bodies, nonprofits, community groups, higher education and the private sector will be needed to overcome implementation challenges and fully realize the benefits of SFA. Many organizations will be operating in uncharted territories and launching first-of-their-kind programs; open collaboration and knowledge sharing can make these programs a success.

Over the course of this webinar, panelists shared leading practices and lessons learned. As grantees continue planning their SFA programs, they should keep these practices in mind:

- Engage stakeholders and community members early and often, at the onset and throughout the lifecycle of the program.
- Design financial structures that will serve target communities and enable sustainable program growth, leveraging federal tax incentives and unlocking private capital where possible.
- Develop a compliance roadmap to stay abreast of federal grant program administration and reporting requirements.
- Continue the discussion — stay connected with others in the SFA space, be collaborative and usher in a new era of solar that benefits all.

We owe a gracious amount of gratitude to our esteemed panelists and a thank you to all who attended. We are looking forward to continued collaboration and successful SFA programs.

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