

The Best Prospects for Federal Funding of Clean Energy in 2014

May 02, 2014 || By Jordan Collins

While it has been several years since the apex of federal clean energy funding, the Administration continues to utilize its executive authority – leveraging existing agency programs and initiatives to develop, commercialize, and deploy clean energy technologies both domestically and internationally.

Consequential government funding opportunities are available across a variety of agencies through an assortment of grant, debt, credit enhancement, and technical assistance programs funded domestically through the Departments of Energy, Defense, and USDA, and internationally through the Export-Import Bank, Overseas Private Investment Corporation, and the U.S. Trade & Development Agency.

The Department of Energy just released “**Federal Finance Facilities Available for Energy Efficiency Upgrades and Clean Energy Deployment**,” a guide to clean energy financing opportunities across the U.S. government.

The below is a brief overview of some of the key domestic federal funding opportunities that are, or will be, available in 2014-2015.

1. U.S. Department of Energy

A. Section 1703 Loan Guarantee Program

On April 16, 2014, the DOE issued a \$4 billion **draft loan guarantee solicitation** supporting renewable energy and energy efficiency projects in the following five areas of interest: (1) advanced grid integration and storage, (2) drop-in biofuels, (3) waste-to-energy, (4) enhancement of existing facilities, and (5) efficiency improvements.

Applications must undergo a two-part review. In Part I, DOE determines the initial eligibility of a project. Projects that have received other forms of federal support, such as federal grants or loans, are not eligible. Applications that clear Part I then proceed to Part II, which includes the more rigorous full application process. Eligible and viable projects that are granted a conditional commitment from DOE then undergo the complete underwriting process and negotiation of terms for the loan guarantee. Various fees (of increasing size) are levied at different stages of the process. Based on previous solicitations, the process from time of application to financial close can take up to three (3) years.

Unlike successful applicants in the earlier 1705 program, successful applicants in this solicitation will be required to self-pay directly to DOE the non-refundable credit subsidy cost before, or at the time of, financial closing, to the extent the \$169 million allocated for credit subsidy does not cover any portion of an applicant’s credit subsidy.

The credit subsidy represents the net present value of the loan guarantee’s estimated long-term cost to the federal government. Credit subsidy varies by project and technology, but the historical average for utility-linked loans (those with long-term offtake agreements) hovers around 13% of total project costs.

Non-utility-linked projects could see credit subsidy costs exceed 30%. This means that on a loan guarantee of \$100 million, a renewable energy applicant with a power purchase agreement would have to pay DOE a non-refundable fee of approximately \$13 million if it did not receive any credit subsidy. In addition to the credit subsidy self-pay, the applicant must reimburse DOE for various legal and due diligence costs.

The credit enhancement the applicant receives through the loan guarantee lowers the interest rate significantly. Still, the loan guarantee process can be a long and expensive one.

DOE is conducting a 30-day comment period on the draft solicitation, and DOE will schedule public meetings to discuss it. One public meeting is scheduled for May 7th at Stanford University, and a second is scheduled for May 13th at the Massachusetts Institute of Technology.

B. Office of Energy Efficiency & Renewable Energy (EERE)

EERE continues to provide direct RD&D funding for applied clean energy technology development, as well as collaborative opportunities with one of the 16 national laboratories across the United States.

Recently announced funding opportunities by EERE include:

Solar: On April 17, 2014 EERE issued a funding opportunity announcement (FOA) of \$15 million for the Solar Market Pathways initiative, funding aimed at catalyzing private sector strategies that will drive down solar soft costs and support economic development in the project regions.

Additional Information:

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|------------------------------------|--|
| Link to FOA | Click here. |
| Number of Expected Awardees | Varies |
| Average Amount of Award | EERE anticipates making awards that range from \$100,000 to \$4,000,000. |
| Cost Share Information | 20% of Total Project Costs |
| Final Submission Date | July 3, 2014 |

Biomass: On April 15, 2014, EERE issued a \$10 million FOA seeking to address the development, improvement, and demonstration of integrated biological or chemical upgrading technology for the production of substitutes for petroleum-based feedstocks, products, and fuels.

Additional Information:

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|------------------------------------|--|
| Link to FOA | Click here. |
| Number of Expected Awardees | 2-10 |
| Average Amount of Award | EERE anticipates making awards that range from \$1 million to \$3.5 million. |
| Cost Share Information | 20% of Total Project Costs |
| Final Submission Date | June 13, 2014 |

Transportation: On April 29, 2014, the Energy Department announced up to \$10 million of funding for applicants who demonstrate cost-effective zero-emission cargo transport systems and collect data on the performance and cost, to help clarify the benefits and viability of this approach.

Additional Information:

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|------------------------------------|---|
| Link to FOA | Click here. |
| Number of Expected Awardees | Varies |
| Average Amount of Award | EERE anticipates making awards of up to \$10 million. |
| Cost Share Information | Federal funds are matched at a 50% cost share. |
| Final Submission Date | June 11, 2014 |

Manufacturing: DOE is also currently investigating the formation of an additional manufacturing innovation institute, which would be the third awarded in three years. On April 14, 2014, EERE issued a request for information (RFI) soliciting industry and academia on mid-Technology Readiness Level (TRL) R&D needs, market challenges, supply chain challenges, and shared facility needs to address challenges associated with clean energy manufacturing. For the full solicitation, please [click here](#).

Water: On April 28, 2014, EERE issued a notice of intent for a \$10 million funding opportunity to test prototypes designed to generate clean, renewable electricity from ocean waves and help diversify America's energy portfolio. To view the notice of intent, please [click here](#).

2. U.S. Department of Agriculture

A. Energy Efficiency Conservation Loan Program

In December 2013, USDA issued a **Final Rule** expanding the Rural Utilities Service (RUS) electric loan program offerings to include a new Energy Efficiency and Conservation Loan Program (EECLP) to support rural electricity providers in increasing energy efficiency and encouraging the use of renewable energy.

The final rule allows USDA to fund the following: (1) all energy efficiency measures on a consumer premises, (2) distributed generation for on- or off-grid renewable energy systems; (3) demand-side management investments, (4) energy audits, (5) consumer education and outreach programs, (6) power factor correction equipment on the consumer side of the meter, (7) re-lamping to more energy efficient lighting, (8) other energy efficiency program investments approved by RUS Residential and commercial energy audits, and (8) community awareness and outreach programs.

With the federal loan capital, rural utilities, municipalities, and cooperatives will be able to finance investments in energy upgrades to homes and businesses. Participating customers who benefit from the program can repay the utility through their utility bills in a process known as on-bill financing.

For FY14, the USDA has allocated \$250 million in funding; however, in future years, the program will have access to tap the full \$6 billion in authority under the RUS.

B. Rural Energy for America Program

The Rural Energy for America Program (REAP) can issue loans, loan guarantees, and technical assistance grants to agricultural producers and rural small businesses to install renewable energy systems such as solar panels or anaerobic digesters, make energy efficiency improvements such as installing irrigation pumps or replacing ventilation systems, and conduct energy audits and feasibility studies.

Loans can range from \$5,000 to \$25 million and can cover up to 75% of total eligible project costs. Grants from \$2,500 to \$500,000 are also available for projects that meet program eligibility requirements.

On May 5th, 2014, USDA published its latest solicitation in the Federal Register. \$12.38 million in grants and approximately \$57.8 million in guaranteed loans through the Rural Energy for America Program.

Grant applications and combined grant/loan guarantee applications are due within 60 days of publication in the Federal Register, and loan applications will be reviewed on a rolling basis with a submission deadline date of July 31, 2014.

Authors

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