Federal Energy Finance Programs

Erin Tehan, Legislative & Federal Affairs Coordinator
etehan@cdfa.net

The renewable energy industry is playing an increasingly important role in overall U.S. economic development. For example, the Clean Energy Group states that there are now more jobs in wind and solar than in coal mining. However, financing renewable energy projects through traditional financing tools remains a challenge for our industry. To help U.S. state and municipal governments, as well as business and individuals, the federal government offers over 40 programs supporting the financing of renewable energy.

CDFA offers many opportunities to learn more about energy and federal finance. Visit www.cdfa.net and check out CDFA's Intro Energy Finance Course, the CDFA-Stern Brothers Renewable Energy Finance Webcast Series, in partnership with Clean Energy Group, and the CDFA Federal Financing Clearinghouse.

Four programs from the Clearinghouse are highlighted below.

Rural Energy for America Program Guaranteed Loan Program (REAP Loan)

U.S. Department of Agriculture

The REAP Guaranteed Loan Program encourages the commercial financing of renewable energy (bioenergy, geothermal, hydrogen, solar, wind, and hydro power) and energy efficiency projects. Under the program, project developers will work with local lenders, who, in turn, can apply to USDA Rural Development for a loan guarantee up to 85 percent of the loan amount.

Eligible Users:
Borrowers must be an agricultural producer or rural small business. Most lenders are eligible, including national and state-chartered banks, Farm Credit System banks, and savings and loan associations.

Financing Type:
Energy Finance | Access to Capital

State Energy Program (SEP)

U.S. Department of Energy

The State Energy Program (SEP) provides financial and technical assistance to states through formula and competitive grants. SEP emphasizes the state's role as the decision maker and administrator for the program activities within the state. States use their formula grants to develop state strategies and goals to address their energy priorities. States provide a 20 percent match under SEP annual formula allocations. Competitive grant solicitations for the adoption of energy efficiency/renewable energy products and technologies are issued annually based on available funding.

Eligible Users:
States

Financing Type:
Energy Finance | Access to Capital

Qualified Energy Conservation Bonds (QECBs)

Internal Revenue Service

Qualified Energy Conservation Bonds (QECBs) finance qualified energy conservation projects. At minimum, 70 percent of a state's allocation must be used for governmental purposes, and the remainder may be used to finance private activity projects. There is no statutory deadline for eligible public entities to issue QECBs. In March 2010 the HIRE Act (H.R. 2847 (Sec. 301)) changed QECBs from tax credit bonds to direct subsidy bonds, similar to Build America Bonds (BABs). The QECB issuer pays the investor a taxable coupon and receives a rebate from the U.S. Treasury.

Eligible Users:
QECBs may be issued by state, local, and tribal governments.

Financing Type:
Bond Finance | Energy Finance

Production Tax Credit (PTC)

Internal Revenue Service

The Recovery Act allows a tax credit for the generation of qualified energy from qualified facilities. The Production Tax Credit (PTC) specifies amounts, credit periods, and definitions of qualified facilities by technology. Qualified energy resources include: wind, biomass, geothermal, solar, hydropower, and others.

Eligible Users:
Electricity produced from qualified energy resources at qualified facilities must be sold by the taxpayer to an unrelated person.

Financing Type:
Energy Finance | Tax Credits