



IMPLEMENTATION GUIDANCE FOR STATES:

# CLIMATE POLLUTION REDUCTION GRANTS

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The Climate Pollution Reduction Grants Program, created via [Section 60114](#) of the Inflation Reduction Act (IRA), provides \$5 billion to the Environmental Protection Agency (EPA) for a new initiative to help states, air pollution control agencies, Tribal governments, and local governments develop and implement strong climate pollution reduction strategies. This program is structured in three parts: Planning Grants, funded with \$250 million; Implementation Grants, funded with \$4.6 billion; and administrative funding, funded with up to \$142.5 million. Importantly, this program provides states with a high degree of flexibility relative to other competitive grants in the IRA.

If implemented strategically, this program has the potential to propel further progress on equitable decarbonization in key regions of the United States. The following guide summarizes the program and details how state policymakers might go about securing and deploying Climate Pollution Reduction Grant funds.

## Program Details

### Exhibit 1. Climate Pollution Reduction Grants Funding Breakdown

Climate Pollution Reduction Grants	Funding Amount	Key Components	Timeline
Planning Grants	\$250 million	Formula grants to develop new climate pollution reduction plans or update existing plans	Deadline to submit a Notice of Intent to Participate is 3/31/2023. See detailed timeline at the end of this document.
Implementation Grants	\$4.6 billion	Competitive grants to assist with the implementation of climate pollution reduction measures	Notice of funding opportunity expected in Fall of 2023. Applications will be due in the first quarter of 2024.
Administrative Funding	Up to \$142.5 million	For administrative costs necessary to carry out implementation grant projects, including technical assistance	Funds available to EPA through 2026

*Additional details can be found in the legislative text, [Section 60114](#).*

### Program Eligibility

The Inflation Reduction Act (IRA) identifies the following eligible entities: States, territories, municipalities, Tribal governments, air pollution control agencies, or collaborative applications between one or more of the above entities.

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## Implementation Recommendations for States

### Planning Grants - \$250 million

The IRA provides the EPA with \$250 million for State Climate Planning Grants, a highly flexible program to support eligible entities in developing or updating climate mitigation plans. These grants will take the form of cooperative agreements<sup>1</sup> between EPA and state governments. Program guidance<sup>2</sup> from EPA details that Planning Grant funds can be used for “projects that are directly related to the development, updating, or evaluation of state, local, tribal or territorial plans to reduce climate pollution.”<sup>3</sup> Critically, participation in the Planning Grant phase is required for states to be eligible to apply next year for Implementation Grant awards.

The \$250 million in Planning Grant funds will be allocated to the following entities:

- States: Up to \$3 million per state, including Washington DC and Puerto Rico (\$156 million total)
- Local governments: \$1 million to the 67 most populous Metropolitan Statistical Areas (\$67 million total)
- Tribal governments: \$25 million set-aside<sup>4</sup>
- Territories: \$500,000 to each US territory (\$2 million total)

In developing a climate plan, states are expected to collaborate with air pollution control agencies, municipalities, and nearby Tribal governments, as well as conduct meaningful engagement with low income and disadvantaged communities. States can also work with municipalities, air pollution control agencies, and Tribal governments that do not receive direct funding from this program.

To secure Planning Grant funds and prepare for competitive Implementation Grant applications, states should expeditiously take the following steps:

**1. Designate a lead agency applicant** and support agency partners as appropriate depending on the target sectors identified to be the focus of the state plan. States should use Planning Grant funds to build capacity that can help them both pursue Implementation Grant funding and take advantage of the rest of the IRA’s climate investments.

**2. Submit a Notice of Intent to Participate (NOIP) by March 31, 2023.** To accept their allocated Planning Grant Funds, the Governor or designated lead agency is required to provide a NOIP to EPA before the end of this month. More information on how to format and submit the NOIP can be found [here](#).

**3. Prepare and submit a completed application by April 28, 2023.** Applications must not exceed 15 pages in length and include a narrative workplan<sup>5</sup> for executing the Planning Grant that discusses interagency coordination, stakeholder engagements, and performance measures.

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<sup>1</sup> [Cooperative agreements](#) are grants in which substantial programmatic involvement with EPA is anticipated.

<sup>2</sup> Complete program guidance for states, municipalities, and air pollution control agencies can be found [here](#).

<sup>3</sup> EPA lists several potential uses of Planning Grant funding [here](#).

<sup>4</sup> The Planning Grant process differs for tribes and territories. Guidance for these entities can be found [here](#).

<sup>5</sup> More detailed information on the application requirements for Planning Grant Funds can be found [here](#).

The workplan must also describe the approach for completing three key deliverables over the course of program period:

- A Priority Climate Action Plan (PCAP), due in early 2024, with near-term, priority measures to reduce climate pollution (the PCAP also serves as a prerequisite for Implementation Grant applications);
- A Comprehensive Climate Action Plan (CCAP), due 2 years from the date of the award, which outlines and analyzes near and long term climate pollution reduction goals across all economic sectors; and,
- A Status Report, due at the close of the 4-year grant period, with updates and next steps to continue implementation of the CCAP.

More details on these deliverables can be found [here](#) in the EPA's program guidance.

**Important:** To apply for a Planning Grant, the applicant must have an active registration in the System for Award Management (SAM.gov) website. This registration process can take a month or more for new registrants. States should act now to review registration requirements and ensure they have been met well in advance of the upcoming application deadline.

In developing an application and workplan for Planning Grants, states should act on the following recommendations to maximize impact of funding and increase competitiveness of future Implementation Grant applications:

- **Create or update a climate plan** towards achieving greenhouse gas reductions economy-wide (e.g., a 50-plus percent reduction by 2030 and net-zero emissions by 2050) or in a specific economic sector (e.g., 100 percent clean electricity by 2035). These plans should prioritize actionable pollution reductions in heavily polluting sectors, increasing investments in disadvantaged communities, and supporting high-quality, good-paying jobs.
- **Thoroughly engage partners**, including municipalities, air pollution control agencies, and Tribal governments, as well as community-based organizations that serve disadvantaged communities.
- **Collaborate with other states**, where appropriate, to maximize pollution reduction impact of grant funding and drive deep regional decarbonization. For example, a selection of Midwestern states could develop a collaborative regional plan for power, transportation, or industrial sector decarbonization.
- **Participate in Climate Innovation Teams (CITs)** with other recipients of Planning Grants. CITs provide training and technical assistance, as well as an opportunity for greater collaboration between states, municipalities, and other entities developing and implementing climate pollution reduction strategies. More information on CITs can be found [here](#).

Additionally, since Priority Climate Action Plans developed with Planning Grant funds are a prerequisite for competitive Implementation Grants, the below recommendations for Implementation Grants will be essential for states to incorporate into their Planning Grant process.

## Implementation Grants - \$4.6 billion

The bulk of the program funding is allocated to State Climate Implementation Grants—\$4.6 billion of the \$5 billion in program dollars. An entity does not need to directly receive a Planning Grant to be eligible for an Implementation Grant, but must be “covered by” a plan developed with a Planning Grant<sup>6</sup>. While the EPA is still designing its Implementation Grant competition and process, it is expected that states will be eligible to apply for funding towards elements of their Priority Climate Action Plans.

Implementation Grants will provide critical federal support for states to drive the next generation of climate leadership—and should prove particularly valuable to states that want to reduce greenhouse gas emissions and other pollution dramatically but face legislative or fiscal constraints. In making these highly competitive awards, the EPA will likely prioritize providing resources to implement elements of state Priority Climate Action Plans that incorporate the below recommendations.

- **Transform a single economic sector or create an economy-wide plan.** States should develop, or update, a quantifiable plan to achieve significant, additional, verifiable climate pollution reductions in a single sector of the economy (i.e., electricity, transportation, industry, buildings, agriculture/forestry). States that have already adopted effective sectoral standards and strategies could consider advancing a quantifiable plan for multiple sectors or significant economy-wide climate pollution reductions.
- **Prioritize disadvantaged communities.** The Climate Pollution Reduction Grants program is covered under Justice40<sup>7</sup>. To comply, states should structure plans to ensure that no less than 40 percent of the benefits of potential investments related to the state’s sector-specific or economy-wide plan flow to disadvantaged communities, and to ensure that the plan achieves pollution reductions in disadvantaged communities, as required by the statute.
- **Fill gaps to unlock additional federal funding.** States should consider and articulate how federal investments available from the IRA (and from other sources including the Infrastructure Investment & Jobs Act and CHIPS and Science Act, the American Rescue Plan, state matching dollars, private sector investment, etc.) fit into the state’s sectoral or economy-wide strategy. Because of the high degree of flexibility provided relative to other IRA grants, State Climate Implementation Grant funding can be used to fill any gaps not already addressed with other funding sources.
- **Equitably engage a wide range of stakeholders.** States should outline how they plan to engage a wide range of stakeholders in designing and implementing their plan, including environmental justice communities, labor unions, city and county governments, Tribal nations, non-governmental organizations, and businesses.
- **Leverage other funding sources.** Deploying a mix of state, federal, and private resources to drive deep, transformational change is likely to make applications particularly competitive. Leveraging private capital to complement grant efforts can both expand the impact and support program sustainability beyond the grant period.

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<sup>6</sup> The EPA lists the entities that are considered covered by a plan under the purposes of this program: “States and other entities that directly received Planning Grant funds; State agencies, municipalities, air pollution control agencies and Tribal governments who were partners on a plan developed with a Planning Grant, but did not directly receive federal funding; and Municipalities, air pollution control agencies, and tribes seeking funding to implement other measures identified in their state’s plan.”

<sup>7</sup> More information on Justice 40 can be found [here](#).

- **Support high-quality, good-paying jobs.** Climate pollution reduction projects have the potential to facilitate job creation in high-growth clean energy sectors. Where feasible, states might consider quantifying potential job creation benefits associated with plan implementation.

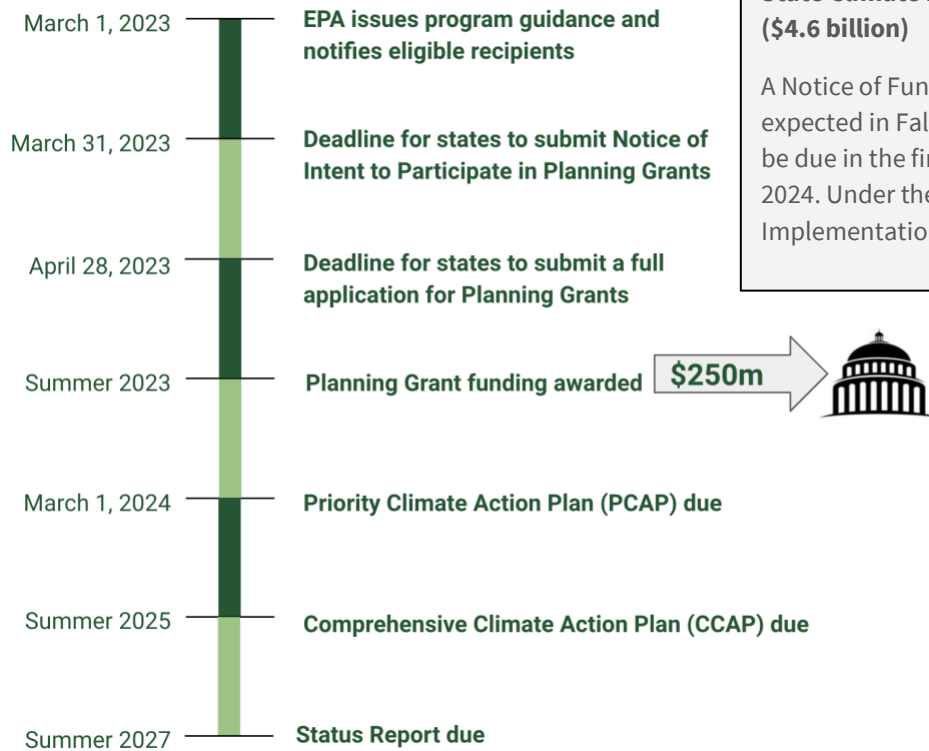
### Administrative Funding - \$142.5 million

The IRA also provides the EPA with the opportunity to use 3 percent of the State Climate Implementation Grants funding— \$142.5 million—for administrative expenses in carrying out the program and its goals. The EPA has yet to detail how the administrative funding will be allocated, but potential uses could be to:

- Support states with plan design and implementation via robust technical assistance.
- Expand capacity in EPA regional offices to further support state governments.
- Support state and local air pollution control agencies in stepping up enforcement against climate and local air pollution—especially in disadvantaged communities.
- Support regional energy transition task forces and execute inter-agency agreements and share resources with other federal agencies (such as the Departments of Energy, Agriculture, and Commerce, and the National Labs) that can partner with states, Tribal governments, cities, and counties in planning, modeling, and executing their climate and clean energy plans.

## Implementation Timeline

### State Climate Planning Grants (\$250 million)



**State Climate Implementation Grants (\$4.6 billion)**

A Notice of Funding Opportunity is expected in Fall of 2023. Applications will be due in the first quarter of calendar year 2024. Under the statute, EPA can make Implementation Grants through 2026.

Exhibit 2. Timeline for Program Implementation

Climate Pollution Reduction Grants offer a unique opportunity for state, local, and Tribal governments to plan for and enact bold climate initiatives. If implemented effectively, equitably, and rapidly, this program has the potential to enable significant statewide decarbonization. Deadlines for these programs are already fast approaching—states should act now to take advantage of this critical opportunity.

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## Additional Resources

[Climate Pollution Reduction Grants | US EPA](#)

[Climate Pollution Reduction Grants Program: Formula Grants for Planning, Program Guidance for States, Municipalities, and Air Pollution Control Agencies](#)

[Climate Pollution Reduction Grants Program: Formula Grants for Planning, Program Guidance for Tribes, Tribal Consortia and US Territories](#)

[Text - H.R.5376 - 117th Congress \(2021-2022\): Inflation Reduction Act of 2022](#)

[Request for Information: Climate Pollution Reduction Grants](#)