IRA IMPLEMENTATION GUIDANCE FOR STATES:

CPRG IMPLEMENTATION GRANTS: GENERAL COMPETITION

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The Climate Pollution Reduction Grants (CPRG) 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, Tribes, and local governments develop strong climate pollution reduction strategies. This program is structured in two phases: planning grants funded with $250 million; and implementation grants, funded with approximately $4.6 billion. Importantly, this program provides states with a high degree of flexibility relative to other competitive grants in the IRA.

More than ever before, states are taking bold steps to decarbonize electricity, transportation, and buildings, and to lead in clean manufacturing and climate-smart agriculture. But continued state progress will need sustained policy and investment support. If state applicants approach this opportunity expansively and EPA awards Implementation Grants strategically, this program can propel further progress on decarbonization in key regions of the United States. This updated memo summarizes the General Competition and details how state policymakers can strategically use the Planning Grant process to have a competitive edge in the highly competitive Implementation Grant process. Importantly, EPA is reserving $300 million for a separate Tribes and Territories competition.

As many pools of IRA funds flow, and the federal administration finalizes a suite of rules that advance decarbonization of major sectors, including electricity generation and light- and heavy-duty transportation, states can deploy these grants to sprint ahead towards a just clean energy economy. The federal rules and multi-layered grant programs will help create sustained market demand for cleaner technologies while creating opportunities for states implementing these programs to ensure clean air and jobs benefits are brought home to key communities and workforces. The CPRG funds, along with direct or "elective" pay tax credits deployed by public entities, can be used to ensure that states unlock these benefits by providing the planning needed and by deploying state-controlled funds in the geographies and sectors that need them most, to prime the pump for even larger federal and private investments. Forward-looking states can leverage the CPRG to create thousands of jobs and billions of dollars in economic benefits, while delivering significant benefits to underserved communities.

Program Objectives (excerpted from EPA NOFO)

The CPRG program objectives are broad and allow for creative grants that can help decarbonize entire economic sectors and communities. Notably, states can design programs that serve multiple objectives consistent with the way climate progress links together multiple economic sectors and goals. For instance, decarbonizing transportation or buildings can create demand for electrical charging infrastructure and electric appliances, and hence support clean energy transmission and renewable energy deployment, and hence create clean jobs. The CPRG program can help states unlock these economy spanning opportunities. Its objectives are sweeping:

1. Stimulate transformation toward a decarbonized economy and demonstrate approaches that are replicable to unlock opportunities for even greater emissions reductions;
2. Result in benefits (and do not result in negative impacts) to low-income and disadvantaged communities, such as community and household air pollution reductions, equitable economic growth, and improved quality of life outcomes, where applicable;
3. Support measures for which dedicated funding or financing from other sources (e.g., under other provisions of the 2022 IRA, the 2021 Bipartisan Infrastructure Law (BIL), the 2021 American Rescue Plan Act (ARP), and the 2021 Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS)) is unavailable or that leverage other sources of public and private funding to the fullest extent possible prior to seeking CPRG funding;

4. Achieve GHG emission reductions that are long-lasting and certain;
5. Incorporate high labor standards, emphasize job quality, and support equitable workforce development
6. Ensure accountability by providing clear assumptions, metrics, timelines, authorities, and budget details.

Implementation General Competition: Program Details

Exhibit 1. Award Funding Breakdown

Tier	Grant Ranges	Funds Per Tier	Number of Expected Grants
A	$200,000,000 – $500,000,000	$2 billion	4-10
B	$100,000,000 – $199,999,999	$1.3 billion	6-13
C	$50,000,000 – $99,999,999	$0.6 billion	6-12
D	$10,000,000 – $49,999,999	$0.3 billion	6-30
E	$2,000,000 – $9,999,999	$0.1 billion	10-50

Program Eligibility for the General Competition

EPA has indicated that it will accept applications from: states, municipalities, Tribal governments, air pollution control agencies, territorial agencies, or collaborative applications between one or more of the above entities. **Implementation funding is available to fund only those initiatives identified in a Priority Climate Action Plan (PCAP) developed with Planning Grant funds.**

Key Dates for the General Competition

1. March 1, 2024: PCAP's due to EPA
2. April 1, 2024: Implementation Grant applications due
3. July 1, 2024: Award decisions made by EPA (anticipated)
4. October 1, 2024: Awards made (anticipated)

Scoring Rubric

EPA has indicated that each application will receive a numeric score. EPA has developed a detailed scoring rubric that will be utilized to evaluate applications. Each application can receive a maximum score of 250 points. Some of the most significant factors that will impact the assessment of applications include:

- **Magnitude, speed, and cost effectiveness of GHG Reductions**
- **Community benefits for low-income and disadvantaged communities, including workforce development and efforts that enhance job quality as well as reduced energy costs**
- **Performance measures, achievable milestones, and clear authority to implement the measures in the application**

Implementation Recommendations for States

Planning Process Tees Up the Implementation Competition

46 states and a wide variety of other eligible jurisdictions are currently engaged in the development of their Priority Climate Action Plans. **This work will directly influence the General Competition for Implementation Funding since projects proposed in implementation grants must be included in the PCAP to qualify. To maximize the Priority Climate Action Plans, states should:**

- **Raise ambition, develop new goals, and identify the policies needed to reach them.** Many states have climate plans, but their level of depth and ambition varies widely. The capacity unlocked with planning grants should be deployed this fall to unify state governments and stakeholders around accelerated and deepened commitments across the most heavily polluting sectors of the economy, including power, transportation, buildings, and industry.
- **Target the biggest sources of emissions and gaps in projected progress.** Each state has a unique set of emissions sources and policy landscape, meaning that the most effective policies and programs will differ state-to-state. States can use existing tools to identify the biggest sources of emissions, gaps in projected progress, and most impactful policies.
- **Understand what existing federal incentives and grants exist** to better support new ambitious policies. Projects with incentives gaps are powerful places to focus on during the planning process, in addition to identifying approaches to strategically align disparate funding sources.
- **Thoroughly engage partners**, including municipalities, air pollution control agencies, and Tribal governments, as well as community-based organizations that serve disadvantaged communities.

Implementation Applications

These 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, EPA's scoring rubric prioritizes Implementation Grant applications that incorporate the below recommendations.

- **Transform a single economic sector, while linking together opportunities and prioritizing innovation**. States should develop, or update, a quantifiable plan to achieve significant, additional, verifiable climate pollution reductions in economic sectors of their choice (i.e., electricity, transportation, industry, buildings, agriculture/forestry), while using the flexibility and vision provided by the CPRG to forge connections between sectors that can jumpstart the clean energy economy. 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. States should prioritize their biggest emissions sources and largest gaps to achieving decarbonization goals, while also using this unique opportunity to pursue particularly innovative policies that target challenging subsectors.

- **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. EPA has indicated regional applications for Implementation funding will be viewed favorably, and regional applications may also be needed to successfully compete for the largest tier of grant funding.

- **Enact and advance supportive and ambitious state policies now.** Depending on the sectors prioritized for implementation funding, states should swiftly advance the most impactful measures to equitably reduce emissions. These could include:

    - Increased clean electricity standards
    - New transportation electrification commitments and incentive programs
    - Zero-emission appliance standards for space and water heating and all electric building codes
    - Industrial facility emissions standards, including updates to state emissions standards and implement organic waste bans to better control and prevent landfill methane

- **Prioritize disadvantaged communities.** 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.

- **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.

- **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.
- **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.

Implementation Recommendations for the EPA

Award Decisions

- **Align awards with the agency's regulatory agenda.** EPA is working to finalize key rules across the power and transportation sectors, several of which must be strengthened. EPA can support states in achieving faster transportation electrification timelines, for example, by using CPRG funding to help support the deployment of public charging infrastructure in the heavy-duty sector to supplement National Electric Vehicle Infrastructure (NEVI) funds.
- **Coordinate with other agencies so CPRG is maximally impactful.** Just as EPA is asking states and other eligible entities to coordinate locally, it's incumbent upon EPA to align with other agencies and programs supporting states in their efforts to decarbonize to ensure these offerings have as much combined impact as possible. This includes initiatives at the Department of Transportation like the Carbon Reduction Program and the Loan Programs Office at the Department of Energy.
- **Reward states for pursuing solutions to their most pressing GHG issues.** Due to historical, geographic, economic, and policy differences between states the most effective and efficient near-term emissions reduction activities are not evenly distributed. Implementation Grants should reflect and incorporate the updated GHG inventory of individual states and the projected turnover of pollution sources within sectors in particular states. States should not receive awards in sub-sectors that would be more economically efficient if pursued elsewhere.
- **Consider addressing enabling conditions for state success,** such as transmission planning and buildout and comprehensive workforce strategies.

Additional Resources

Request for Information: Climate Pollution Reduction Grants

How States and Cities Can Benefit From Climate Investments in the Inflation Reduction Act - Center for American Progress

Evergreen Collaborative Blog: What is the Climate Pollution Reduction Grants Program?

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

Climate Pollution Reduction Grants | US EPA (includes all NOFO documents and list of Planning Grant recipients)