

ENVIRONMENTAL PROTECTION AGENCY ENVIRONMENTAL FINANCIAL ADVISORY BOARD STRATEGIC ACTION AGENDA FISCAL YEARS 2013-2014

BACKGROUND

The Environmental Financial Advisory Board (EFAB) is chartered under the Federal Advisory Committee Act to advise EPA on environmental finance issues, options proposals, and trends. EFAB seeks ways of lowering costs and increasing investments in public purpose environmental facilities and services. EFAB is supported by EPA's Office of the Chief Financial Officer, Center for Environmental Finance.

EFAB's Designated Federal Official is Michael Shapiro, Deputy Assistant Administrator for the Office of Water. EFAB's plans and operation are aligned with the major environmental goals presented in EPA's strategic plan.

EPA GOALS AND EFAB ISSUES

EFAB's work is organized in support of the 5 major goals in EPA's *Strategic Plan*:

- 1. Taking Action on Climate Change and Improving Air Quality**
- 2. Protecting America's Waters**
- 3. Cleaning Up Our Communities and Advancing Sustainable Development**
- 4. Ensuring the Safety of Chemicals and Preventing Pollution**
- 5. Enforcing Environmental Laws**

In its strategic planning process, EFAB applies these thematic EPA goals in the context of the requirement in its charter to provide advice and recommendations on the following issues:

- Reducing the cost of financing sustainable environmental facilities, discouraging polluting behavior, and encouraging stewardship of natural resources;
- Creating incentives to increase private investment in the provision of environmental services and removing or reducing constraints on private involvement imposed by current regulations;
- Developing new and innovative environmental financing approaches and supporting and encouraging the use of cost-effective existing approaches;
- Identifying approaches specifically targeted to small community financing;
- Assessing government strategies for implementing public-private partnerships, including privatization and operations and maintenance issues, and other alternative financing mechanisms;
- Improving governmental principles of accounting and disclosure standards to help improve sustainability of environmental programs;
- Increasing the capacity issue of state and local governments to carry out their respective environmental programs under current Federal tax laws;

- Increasing the total investment in environmental protection and stewardship of public and private environmental resources to help ease the environmental financing challenge facing our nation; and
- Removing barriers and increasing opportunities for the U.S. financial services and environmental goods and services industries in other nations.

Based on these goals and objectives and input from EPA, EFAB develops a *Strategic Action Agenda* describing its workgroup structure and lists ongoing and completed projects. Given the number, scope, and nature of the issues that EFAB addresses, its workgroups take the lead in developing projects for consideration and approval by the Full Board.

PROJECT SUMMARIES

Project Title: Clean Air Technology

EPA Client: Office of Air and Radiation

EPA Priorities: Taking Action on Climate Change and Improving Air Quality

Interim Report Date: January 2012

Anticipated Report Date: [Project on hold pending Agency action]

Project Description: EPA has recently promulgated a regulation (a Maximum Achievable Control Technology – MACT – standard) to limit the emissions of hazardous air pollutants from industrial boilers. The regulation will remove hundreds of thousands of tons of pollution from the air providing very significant public health benefits. Facilities will comply with this regulation by retrofitting existing boilers or by installing next generation technologies.

EFAB is examining incentives and financing that might encourage the owners of these boilers to consider replacing them with newer cleaner technology that not only meets the emissions requirements of the MACT regulation, but also lower green house gas emissions. Approaches being considered include government bonds, federal subsidies, aggregated loans, green funds, securitization, revolving funds, tax incentives, and corporate responsibility valuation.

The Board issued an interim report in January 2012 providing its preliminary findings and recommendations of financing incentives for consideration by industrial facilities to change to newer, cleaner technologies. The report can be viewed at:

<http://nepis.epa.gov/Exe/ZyPURL.cgi?Dockkey=P100E7C0.txt>

Project Title: Tribal Environmental Programs

EPA Client: Office of International and Tribal Affairs

EPA Priorities: Protecting America's Waters and Cleaning Up Our Communities and Advancing Sustainable Development

Anticipated Interim Letter Date: April 2013

Project Description: EFAB is working to identify and evaluate approaches for sustainable funding by tribes with environmental programs. The Board plans to identify mechanisms tribes can use to fund environmental program implementation on an on-going basis and to help reduce and/or eliminate the need for permanent EPA capacity building investments. This project will help tribal governments improve their financial capabilities to implement environmental programs and achieve a greater degree of independence and self-reliance.

While working on this project, the Board learned that the Department of the Treasury had recommended to Congress changes to current law that denies tribal governments access to tax exempt municipal bond markets in situations where state and local jurisdictions are permitted access. EFAB has approved a letter to the Administrator urging EPA to support the Treasury Department recommendations as they would ensure tax parity among tribes, states and municipalities, and help increase the supply of capital for tribal environmental projects.

Project Title: Transit-Oriented Development for Sustainable Communities

EPA Client: Office of Policy

EPA Priorities: Cleaning Up Our Communities and Advancing Sustainable Development

Anticipated Draft Report Date: April 2013

Project Description: EFAB is exploring a range of public and private financing strategies and models that could be used to address a variety of transit-oriented development scenarios. The development scenarios to be considered will vary from a single transit station, existing and planned, to multiple-station transit lines, existing and planned. The Board plans to describe what entities (public, private, and/or public-private) and what financing approaches would be best suited for each of the four scenarios. EFAB plans to note any situations that might require legislation, state and/or federal that might be necessary for successful implementation.

On May 24, 2012, the Board's Transit-Oriented Development Project Workgroup hosted a one-day workshop which brought together government, industry, and finance experts with a wealth of real-world experience in implementing transit-oriented development projects. The Board's goal was to collect expert information and ideas with respect to financing transit-oriented development. All of the presentations and relevant documents from the workshop can be viewed at:

<http://www2.epa.gov/envirofinance/todworkshop>

Project Title: Drinking Water Pricing and Infrastructure Investment

EPA Client: Office of Water

EPA Priority: Protecting America's Waters

Anticipated Draft Report Date: April 2013

Project Description: Through legislation, public education and other means, the nation has largely replaced old high-use water fixtures (toilets, shower heads, appliances, etc.) with new significantly more water use efficient fixtures. An additional broad range of conservation efforts, e.g., education, pricing and turf rebate programs, have successfully reduced outdoor water use. As a result of these efforts, per capita water consumption has declined and the decline is well documented by water utilities across the country.

This exceptional success in achieving greater water use efficiency is creating a significant challenge to water utilities as they seek to increase their revenue streams to support the accelerating repair and replacement of infrastructure that has reached the end of its useful life. The Board is examining how water utilities can ensure an adequate revenue base to meet their increasing capital investment needs, while also providing a publicly acceptable level of service and achieving the goals of sustainable water infrastructure management.

Project Title: Green Infrastructure (Water)

EPA Client: Office of Water

EPA Strategic Goal: Protecting America's Waters

Anticipated Report Date: Interim Report Spring 2013

Project Description: Responding to a charge from the EPA Green Infrastructure Workgroup, the Board is exploring ways to improve and expand financing options for implementing green infrastructure projects at the community level. In this project, EFAB is working to determine the nature and the scope of the green infrastructure financing challenge and will be examining a wide range of issues involved in implementing local green infrastructure solutions, including: (1) barriers, both real and perceived, to tapping into municipal financings; (2) the identification of additional EPA and other federal financing opportunities and the determination of any barriers to accessing them; (3) the possibility of utilizing insurance as a tool for mitigating green infrastructure technology risk and the identification of data needed by insurance industry to do so; and (4) the availability of private sector environmental risk mitigation tools or products other than insurance that could be tapped to facilitate and complement the public or private financing of green infrastructure.

Project Title: Energy Efficiency/GHG Emissions Reduction

EPA Client: EPA Region 1

EPA Strategic Goal: Taking Action on Climate Change and Improving Air Quality

Anticipated Draft Report Date: April 2013

Project description: Municipal Sustainability offices are routinely underfunded, lacking both staff resources and funds to invest in energy efficiency initiatives for municipal fleets, buildings and infrastructure (e.g., street and traffic lights) even when there is a short payback period. As a result, municipalities are often only able to fund energy efficiency initiatives through ESCO agreements which are often disadvantageous to the municipalities. EFAB is examining possible incentives or financing mechanisms to: (1) allow cities to fund full-time energy manager and/or operational support staff positions; (2) fund municipal energy efficiency projects; and (3) use savings generated from successful energy efficiency projects to fund future efficiency projects.

Completed Reports FY 2012

1. ***Financing Incentives for Replacing Boilers with Clean Air Technology***, January 2012
EPA Strategic Goal: Taking Action on Climate Change and Ensuring Air Quality
Primary Customer: Office of Air and Radiation

 2. ***Eliminating Barriers to Tribal Environmental Projects***, July 2012
EPA Strategic Goal: Protecting America's Waters and Cleaning Up Our Communities and Advancing Sustainable Development
Primary Customer: Office of International and Tribal Affairs
- ▶ This Strategic Action Agenda is a flexible planning tool and is updated during the fiscal year as needed. All revisions will be shown on CEFs home page at:
<http://www2.epa.gov/envirofinance/efab>

 - ▶ Your comments are important and welcomed. For additional information, contact Joseph Dillon at the Center for Environmental Finance at Dillon.joe@epa.gov