

## Policy Option Template

### Policy Idea: CIFIA Reforms to Make it a More Attractive Financing Model

**Lead Orgs:** *Proposed by Coalition staff*

#### Policy Description:

CIFIA is a loan and grant program jointly administered by the DOE Loan Program Office and the Office of Fossil Energy and Carbon Management to provide capital for large-capacity carbon dioxide transport projects. There is \$2.1 billion in lending authority and \$500 million in grants. Anecdotally, some interest has been expressed in the Future Growth Grants, but no applications have been submitted for the loan authority.

Coalition staff suggest that certain aspects of the DOE's [transmission facilitation program](#) may provide a template for targeted reforms to CIFIA to attract interest in the program and ensure program viability.

#### Background:

##### Overview of the Program

- **Title/Name of Program:** [CIFIA](#)
- **Funding Authorization:** [Bipartisan Infrastructure Law](#) (BIL); \$2.1 billion authorized to be appropriated through 2026
- **Program Administrator:** DOE's Loan Programs Office (LPO) in conjunction with the Office of Fossil Energy and Carbon Management (FECM)
- **Date Created:** 11/15/2021
- **Current Project Awards:** \$0
- **Summary:** Offers access to capital for large-capacity, common-carrier carbon dioxide (CO<sub>2</sub>) transport projects (e.g., pipelines, rail, shipping, and other transport methods). This infrastructure will benefit from economies of scale and help form an interconnected carbon management market.

#### Key Provisions

- **Eligibility:**
  - Be a large-capacity common carrier CO<sub>2</sub> transportation infrastructure project that transports CO<sub>2</sub> captured from anthropogenic sources and/or ambient air by pipeline, shipping, rail, or other methods for storage and/or use.
  - Have total project costs greater than \$100 million.
  - Be located in the United States.

- Publish, by project completion, a publicly available tariff with just and reasonable rates, terms, and conditions for nondiscriminatory CO2 transportation service.
- Have a reasonable prospect of repaying its CIFIA loan from project cashflows.
- **Access to Capital:**
  - CIFIA's \$2.1 billion will be appropriated to DOE in annual increments between 2022 and 2026
  - Can be awarded in 1 of 3 ways:
    - To provide a loan to the project from the U.S. Treasury Department that is guaranteed by CIFIA credit subsidy funds appropriated to DOE.
    - To guarantee a loan from a non-federal lender using CIFIA credit subsidy funds appropriated to DOE.
    - To provide a grant under CIFIA as a cash payment to a project specifically for eligible costs to build additional transport capacity for potential future demand.
  - CIFIA can provide loans and loan guarantees for up to eighty percent of eligible project costs
    - Pricing equal to U.S. Treasury-equivalent yield curve with zero credit spread, and
    - Long-term tenors equal to the shorter of thirty-five years or the useful life of the asset.
  - A financing fee is due to the federal government from the obligor at financial close of the loan, loan guarantee, or grant. This fee will not exceed \$3 million.
  - CIFIA loans cannot be drawn to finance the scope and/or phase of a project that is also financed through other federal assistance like grants or other LPO loans, but the sources of funding can be sequenced such that CIFIA loans are drawn for later stages of deployment after other funds have already been dispersed.
  - All CIFIA applicants must develop a community benefits plan (CBP)

#### **Proposed Changes to CIFIA:**

- There are aspects of the DOE [transmission facilitation program](#) (TFP) that may serve as a template for targeted reforms to CIFIA.
- **Summary:** Create a DOE revolving fund with a portion of CIFIA funding to position the federal government as an “anchor customer” and enter into capacity contracts with pipeline project developers for the rights of the use of a portion of the pipeline capacity. By DOE serving as an anchor tenant, this solves two issues; one, the lack of near-term demand for large-scale trunk pipelines, and two, the requirement of

NEPA attached to all federal funding. **Importantly, all state regulatory, and review processes would still apply to the siting and construction of interstate CO<sub>2</sub> pipelines.**

- Because NEPA has proven to be a barrier for CIFIA applicants, take language from the transmission facilitation program, enacted under the BIL (which does not trigger a NEPA review as it is a federal procurement program and not a loan/grant program, which requires a NEPA review), adapt it to pipelines, and advocate for a statutory amendment to CIFIA to entice more applicants.
- **Background:**
  - BIL's [transmission facilitation program](#) (TFP) “is a revolving fund program that will provide Federal support to overcome the financial hurdles in the development of large-scale new transmission lines and upgrading existing transmission as well as the connection of microgrids in select States and U.S. territories.”
  - TFP works by allowing DOE to enter into “capacity contracts” with eligible entities for the right to the use of the transmission capacity of an eligible project. This means DOE would “procure” the transmission line in question, as it is creating demand for capacity.
  - Under the program, DOE can serve as “anchor customer” by buying up to half of a planned line's capacity for up to 40 years and it can sell the contract to replenish the fund.
    - CCC staff recommends harmonizing the CIFIA reform to be in-line with CIFIA, which allows for the loan to cover 80 percent of the planned capacity. We recommend allowing DOE to purchase up to 80 percent of the planned capacity.
  - Additionally, because the federal government is the purchaser of the capacity contract, the TFP does not require a NEPA review. NEPA has been cited as one reason for the lack of interest in the CIFIA program.
    - Pursuant to 42 U.S.C. 18713(f)(7), DOE’s entry into a capacity contract will not be considered a Major Federal Action for which environmental review under the National Environmental Policy Act (NEPA) is required. If any other federal agency is required to conduct an environmental review pursuant to NEPA, an award under this program would not supersede or void that requirement.

