



## PE3 Action: Financing Mechanism for Government Energy Projects

5 Points

### A. Why is this action important?

The up-front cost of energy efficiency improvements and renewable energy projects is often a deterrent to implementing upgrades in municipal facilities and operations. However, energy savings will often pay back the up-front cost. Establishing a financing mechanism, such as a revolving energy fund, can provide the initial capital and can use the energy savings to replenish the fund, thus allowing for continuous energy improvements over time.

### B. How to implement this action

This Climate Smart Communities (CSC) action offers points for when a local government establishes at least one type of financing strategy to support energy efficiency and renewable energy projects. One approach is to dedicate a portion of the annual energy budget to energy efficiency upgrades or to use budget incentives to allow departments to keep the energy savings resulting from energy efficiency projects. Another approach is to require the audit and upgrade of buildings after a certain period of time, or when the upgrade has a payback period less than a certain number of years.

A revolving energy fund is another financing mechanism that uses savings from energy efficiency or renewable energy projects to pay for future improvements. Revolving energy funds can take two forms. They can be established strictly internally for local government improvement projects through which departments can access funds for energy improvements and replenish the fund with savings achieved.

Funds can also be established by the local government to provide loans to the community, specifically to residents and businesses. While such community-scaled funds are encouraged (and they are the subject of [PE8 Action: Financing Program for Residential Energy Efficiency](#)), this action focuses on providing a financing mechanism for local government projects, as the goal of Pledge Element 3 is to decrease energy demand within municipal operations.

### C. Time frame, project costs, and resource needs

The initial setup of a revolving energy fund or other financing mechanism is the most challenging part. Finance managers and department heads must meet and come to an agreement about how best to set up the fund. Adoption of new budget policies may be required to allow for the fund to be established, since budgets operate in different ways and sometimes even operate differently among various departments, and also involve the use of taxpayer money. In addition, the local government must identify seed money for the fund.

### D. Which local governments implement this action? Which departments within the local government are most likely to have responsibility for this?

This action is applicable to any local government. It will require buy-in from all departments and the highest-ranking official(s) but will primarily be the responsibility of the finance or budget department.

### E. How to obtain points for this action

Points will be awarded for establishing a financing mechanism for energy efficiency or renewable energy projects. The financing mechanism must be actively in use for the applicant to receive points.

### F. What to submit

Provide documentation of the establishment of this financing mechanism, source of the seed money, any policies that were adopted to establish the dedicated financing mechanism, and a list of projects, including cost details and estimated savings that have been funded through this mechanism. For a revolving energy fund, the terms and conditions for drawing from and replenishing the fund must be submitted, and it must be capitalized and operational at the point of submission for the applicant to receive points for this action.

All CSC action documentation is available for public viewing after an action is approved. Action submittals should not include any information or documents that are not intended to be viewed by the public.

#### **G. Links to additional resources or best practices**

- [US DOE Solution Center, State and Municipal Revolving Loan Funds](#)
- [ICLEI Climate and Sustainability Funding Opportunities](#)

#### **H. Recertification requirements**

The recertification requirements are the same as the initial certification requirements.