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Developing an Effective State Clean Energy Program: Competitive Grants

The American Recovery and Reinvestment Act provides an unprecedented level of federal funding (\$3.1 billion) to state energy programs to support investments in energy efficiency and renewable energy technologies. Clean Energy States Alliance (CESA), a nonprofit coalition representing state clean energy programs across the country, has prepared this series of briefs to assist state energy offices in designing programs to make effective use of these federal and other available funds.

Designing an Effective State Grant Program

This briefing paper summarizes innovative **grant making** approaches and practices that have worked effectively for state clean energy programs across the country.

Grant Program Benefits

Grants complement state clean energy rebate programs by providing support for larger projects or for projects that do not represent a "standard" technology installation. A competitive grant program also allows program managers to award project support on criteria other than "first come, first served".

How They Work

Competitive grant programs are administered through a solicitation or "Request for Proposals" (RFP) process and require the applicant to submit a comprehensive application package including technical, economic, environmental and financial details on the proposed project. Program managers then review applications in a competitive framework and determine whether to support a project and at what level of funding. Grant funding also can be awarded through a "reverse auction" in which projects bid against one another and grants are awarded to the set of projects that request the least amount of funding.

Strengths of grant programs include:

- **Focused Solicitations:** RFP's can be targeted to focus on particular technologies or applications of those technologies. Grant programs also can be used for demonstration, research and development and educational projects. Finally, grants can be used to support the expansion of renewable energy business enterprises (manufacturers, distributors and installers) located within the state.
- **Project Selectivity:** Competitive grant programs allow fund administrators to select projects that best meet the criteria of the solicitation or strategic objectives.
- **Adjustable:** Grant award amounts can be adjusted based on the financial needs or other criteria of a particular project, the number of applications and available funding.
- **Leverage:** Grants typically only cover a small share of a project's overall cost and, therefore, effectively leverage limited public dollars.
- **Publicity:** Grants provide an opportunity to generate publicity for the project and the state program.

In "best practice" grant programs, program managers do much more than issue RFPs, evaluate applications, and make awards. The program manager often "partners" with the project developer to ensure that the project is successful and public funds are well-spent. This can involve ongoing assistance with a project's technical issues, zoning and permitting approvals, and financing.



Examples of State Clean Energy Grant Programs

- **NYSERDA:** The New York State Energy Research and Development Authority currently has an open solicitation for grants to support the manufacturing of renewable energy and energy efficiency products in New York State. Maximum grants are up to \$1.5 million per company. (<http://www.nyserda.org/funding/1176summary.pdf>)
- **Massachusetts Renewable Energy Trust:** Massachusetts' clean energy fund has a wide range of grant solicitations including a Community Wind Collaborative which offers support to communities for site assessment, project feasibility and, ultimately, wind turbine installation. (http://www.masstech.org/renewableenergy/Community_Wind)
- **Focus on Energy:** Wisconsin has been a leader in the promotion and installation of anaerobic digesters and energy generation through biogas combustion. Much of the state's success has been due to grant support from the state's clean energy fund combined with additional grant support from the USDA Renewable Energy for America Program. Wisconsin's program offers grants up to \$250,000 for qualifying systems. In addition, Wisconsin provides

extensive feasibility and technical assistance to dairy farmers considering the installation of a digester. (<http://www.focusonenergy.com/Incentives/Renewable/Biogas>)

- **Energy Trust of Oregon:** The Oregon program supports the "above-market costs" of projects utilizing "emerging technologies" as well as existing technologies in new end uses. The Energy Trust retains a project's green tags in exchange for the grant support. The Energy Trust also provides grants covering up to 50% of feasibility study costs. (<http://www.energytrust.org/grants/up>)

Conclusion

Grants are a flexible tool that state clean energy funds can use to support specific technologies or policy objectives (e.g., green manufacturing) in a less formulaic way than rebate programs. Because the number of grants awarded annually by a clean energy fund is relatively small, program managers can pick the best projects and work with them through project completion. Each successful project can become a showcase and demonstration of renewable energy opportunities within the state.

**For more information or assistance in developing
an effective state clean energy program, contact
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