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Request for Proposal 2023

Clean Energy/Climate Financing: Positioning the Equipment Leasing and Finance Industry to Capitalize on this Emerging, High-growth Opportunity

Industry Background

The Equipment Leasing & Finance Foundation publishes research for and about the nearly \$1 trillion equipment finance sector. Equipment leasing and financing companies represent important sources of finance in the U.S. economy, contributing to capital formation and providing additional critical tools that enable all types and sizes of commercial businesses to acquire the equipment they need to conduct their business operations.

Problem Statement

Climate related initiatives are pervasive on a global level with trillions of dollars in investments anticipated in the coming years. Important stakeholders around the world demand action requiring governments, public sector entities, regulatory authorities, and commercial enterprises to prioritize investments in clean energy assets to decarbonize the planet. The US alone expects ~\$1.4 trillion in capital investment to grow to \$4.3 trillion annually and has earmarked significant funds toward decarbonization through the \$369 billion Inflation Reduction Act (~\$27B Green Bank funds through the EPA and ~\$40B Dept. of Energy).

The equipment financing and leasing industry has an opportunity to accelerate growth and profitability by positioning itself as the preferred provider of debt financing to its customers to fund projects and products that either produce or consume clean energy. Doing so requires a rapid increase in knowledge and awareness of the opportunity and the mechanisms available for the industry participants to capitalize on this massive opportunity.

Goal of the Study

Develop an actionable roadmap to educate and motivate commercial lenders and lessors and their service providers to invest the time, money and resources required to benefit from the enormous opportunity presented by the growing market for clean energy financing.

Anticipated Benefits to Industry Participants: Accelerate growth and profitability while mitigating liquidity and credit risk and helping our world transition toward a low-carbon economy.

The study shall include:

- I. Overview of Climate Finance

- a. Address the magnitude and scope for specific financing opportunities for the industry participants in the growing market for clean energy assets, comprising assets that produce or consume clean energy under various business models.
- b. Segment clean energy asset classes by size, growth, customer, technology, use case, business model, risk, return, availability of specific IRA tax credits, financing instrument, risk reduction instrument, and type of financing institution.
- c. Describe clean energy ecosystem and roles: owners, developers, utilities, consultants, customers, funding sources, government entities, etc.
- d. Outline clean energy risk management challenges related to credit, asset and tax oriented underwriting. Describe how increased due diligence and project financing methodologies can be applied to better understand project/transaction economics and mitigate underlying risks.

II. ELFA Member Financing Opportunity

- a. Define potential industry roles for finance companies of all types; provide overview of current participants.
- b. Share current state, in terms of number and value, of climate financing deals done under previous ITC along with examples of companies doing business in this space already (As a reference, known ELFA members having done clean energy deals include DLL, Huntington, Key Equipment Finance, Verdant, Stonebriar; is it possible to identify other participants such as insurance companies, private equity, hedge funds, etc.?). Provide best practices or lessons learned.
- c. Overview financing structures in use (or expected to come into use given IRA provisions) including profiling project financing methodologies; illustrate how tax credits may impact lease pricing.

III. Government and Private Sector Support

- a. Scope the level of government and private investments required to achieve the objectives outlined in global accords on clean energy.
- b. Specifically, call out provisions of the Inflation Reduction Act (“IRA”) designated to stimulate investment activity in climate financing (ITC, \$27B EPA Green Bank, \$40B Dept of Energy, ability to sell tax credits, etc.)
- c. Describe the availability of and restrictions to availing the benefits of the “Clean Energy Production (45Y)” tax credit, “Clean Electricity Investment Credit (45E)” and similar tax credits for qualifying assets under IRA.
- d. Outline processes and requirements to ensure available tax credits, subsidies, grants, and incentives are recognized.
- e. Overview specific elements of the Inflation Reduction Act
 - 1. Stacking and requirements of tax credits (base plus adders to go from 30% to 70%)
 - 2. Tax credit direct pay, transferability and carry forward/back provisions.
 - 3. Qualified, commercial clean vehicles (45W); alternative fueling (“QAFV”; 30C); Other alternative fuel crediting four things, such as bio, diesel, sustainable aviation, etc. (45B; 45Z after 2024)
 - 4. Energy efficiency improvements for building owners (179d expanded)

5. Clean hydrogen production (45V)
6. Carbon sequestration (45Q)
7. CHIPS Act portion (not directly energy related per se)

IV. Risk Management

- a. Provide credit, asset, and legal risk assessment and mitigation strategies.
- b. Call out available government or utility level subsidies, guarantees, recourse, payment mechanisms, etc.

V. Getting Started - Present a roadmap of how to get started in structuring clean energy financing deals

- a. Choice of segment to pursue; maturity, risk/reward, short vs long term potential, etc.
- b. Potential access points: Private equity firms, manufacturers, consultants, end users, government agencies, etc.
- c. Participate in syndications.
- d. How to administer regulatory requirements to earn tax credits.
- e. Proposal and legal considerations
- f. Ongoing administration and risk management
- g. Provide real world examples of transactions and structures.
- h. Produce a reference library of potential advisers or service providers to help facilitate clean energy financing transactions.
- i. Describe climate-related regulatory compliance and capital requirement applicable for bank affiliated industry participants, including climate-related stress tests.
- j. Provide real world examples of transactions and structures.

VI. Other

- a. Produce a reference library of potential advisers or service providers to help facilitate clean energy financing transactions.
- b. Describe climate-related regulatory compliance and capital requirement applicable for bank affiliated industry participants including climate-related stress tests.
- c. Lessons and take-aways from Fannie Mae and Freddie Macs business models to scale funding from capital markets toward clean energy lending.

Suggested Researcher Resources

The Foundation and its sister organization, the Equipment Leasing and Finance Association (ELFA), provide a variety of resources that are relevant to this study, including:

- The Equipment Leasing & Finance Industry Horizon Report
- The Archives of Annual State of the Equipment Finance Industry Reports (SEFI)
- Monthly Leasing and Finance Index (MLFI-25)
- MLFI-25 & Beige Book Quarterly Review

Additionally, the Foundation has two major databases accessible to researchers:

- Equifax database of select equipment leasing transaction information from a statistically valid sample of equipment leasing companies.
- Industry analysis database used to prepare the two annual ELFA overview publications noted above (SEFA).

The Foundation website (www.leasefoundation.org) provides additional information on resources available to its researchers.

Required Deliverables

It is the expectation of the Foundation that the final study will be delivered in no more than five months from the contract date.

Specifics include:

1. All deliverables should be written for the lay reader and should be well-written
2. Monthly progress reports should be submitted via email to the Foundation's Executive Director.
3. The final Research Study Paper should be provided in Microsoft Word and PDF versions. Charts and graphs should be provided in Excel or PowerPoint and should include source data. Study page count is variable: 30-60 pages. See our Report Guidelines for more details.
4. An article of approximately 2,000 words must be submitted for publication in the peer reviewed Journal of Equipment Lease Financing. Please review our Author Guidelines specific to the JELF.
5. An abstract of approximately 250 words of project results must be submitted along with the first draft of the project. The abstract will be used to report the study to a general audience. The abstract must be written for the lay reader.
6. Upon request by the Foundation, you shall be available to present findings live and/or via web seminar or podcast.

Response Details

Submit your proposal to Kelli Nienaber, Executive Director of the Foundation, at knienaber@leasefoundation.org.

Information Required:

1. Researcher (or Firm's) history and background
2. Experience/knowledge with lease finance and clean energy research
3. Experience with nonprofit associations
4. Overview of the study design
5. Credentials and qualifications of staff to be assigned the project
6. References/client list, with written permission to contact
7. Description of similar studies performed by the researcher
8. If appropriate, description of how staff time and other costs are billed

Timeline and Contract Terms

- Proposals are due by the first of the month – contact the Foundation for specific dates.
- Proposal selection generally occurs within 30 days. The review committee meets on the third Wednesday of each month.
- For further information regarding contract terms, see our Research Grant Guidelines.

Selection Criteria

The Equipment Leasing & Finance Foundation is an equal opportunity employer and submissions are considered without regard to the age, religion, ethnicity, gender, sexual orientation, marital or veteran status, political affiliation—or any other classification protected by law—of the author. The Foundation encourages the diversity of perspectives and experiences that result in a holistic view of the ever-evolving challenges and opportunities that face the equipment finance industry. As such, all interested researchers are welcomed and encouraged to submit their proposal for consideration.

The proposal should be based on original research about a future-focused topic benefitting a major segment of the equipment finance industry and include a detailed methodology for the proposed research project.

1. Experience in similar assignments
2. Resources/capacity to perform the required work
3. Experience with associations
4. Qualifications of the individuals who will perform the work
5. Knowledge of the equipment finance industry
6. Quality of the proposed study design
7. Price
8. References
9. Intangibles

For additional information on the grant process visit: www.leasefoundation.org/grants