



OPPORTUNITY MAP

**NEW FUNDING FOR RURAL ELECTRIC COOPERATIVES TO
DRIVE LOCAL OPPORTUNITY, ECONOMIC DEVELOPMENT
AND PROSPERITY**

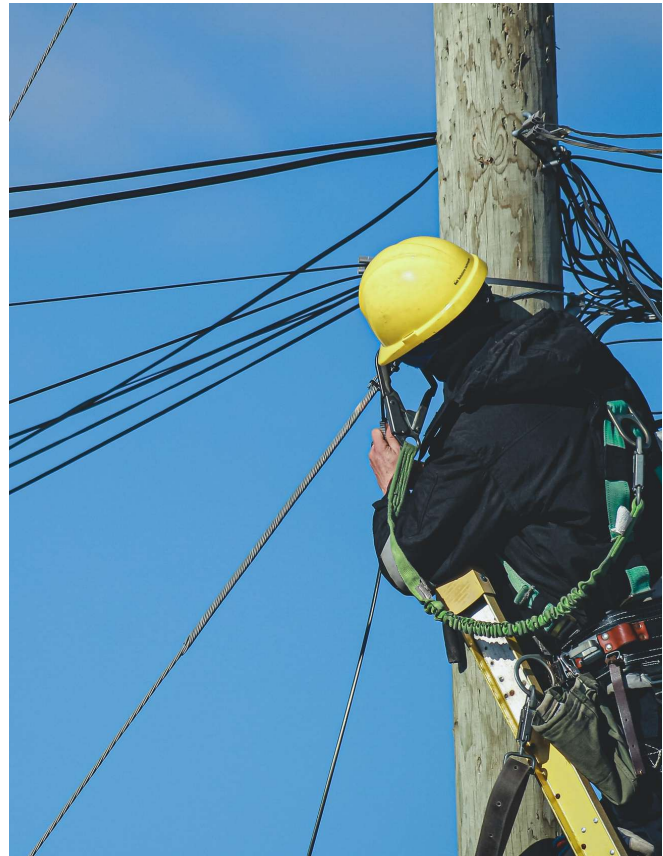


APRIL 2023 // COOPERATIVE-RESOURCE

EXECUTIVE SUMMARY

As energy providers and economic anchors in their communities, rural electric cooperatives work every day to deliver affordable, reliable power in a dynamic and rapidly changing energy system.

The 2022 Inflation Reduction Act could **drive more than \$45 billion** in new Federal investments to rural communities served by cooperatives. This law is expected to accelerate ongoing trends in clean energy deployment, electrification, and demand management, helping cooperatives respond to and lead through changes in the U.S. energy system.



This report maps these opportunities for cooperative directors and staff, outlining specific funding resources and programs available to help deliver cost savings for member-owners, create local jobs, build community wealth, and improve utility service and reliability.

Cooperatives can:

- Build and own low-cost clean energy generation
- Replace costly and aging generation assets
- Speed beneficial electrification and benefit from increased demand management capacities
- Deliver community benefits and grow regional economies
- Address energy burden and improve community health

**Are you a Board Director?
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These investments can drive a new century of economic growth and prosperity for rural communities — but it will be up to local leaders to bring the full promise of these opportunities home to their community.

Rural electric cooperatives are essential to the communities they serve, providing reliable, affordable electricity while being responsive to local needs and changing economic conditions. Since their creation in the 1930s, cooperatives have demonstrated that they have enormous potential to spark economic development, create local jobs, and power rural economies.

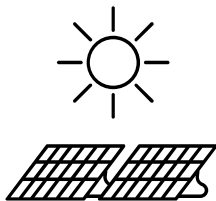
The U.S. energy system is in a moment of transformation, as technologies like solar and wind have now become amongst the lowest cost, if not the lowest cost, source of energy generation in most geographies (1). At the same time, technological advancements in battery storage, smart meters, electric appliances and demand-management are reshaping the economics of energy and the role that utilities play in managing supply and demand (2). Our aging grid is forced to do more against more extreme weather conditions and potential cyberattacks. These are risks that cooperatives will need to manage proactively so as not to get left behind, and new opportunities for local generation and lower-cost energy solutions.

Cooperatives are uniquely equipped to meet this moment with true local leadership that ensures each community's values, needs, and concerns are considered and that the benefits flowing from new opportunities stay in local communities instead of being extracted elsewhere.

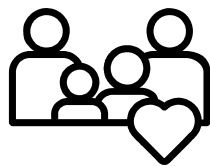
The Inflation Reduction Act Provides Billions for Rural Energy Development

Communities served by cooperatives could see in excess of \$45 billion this decade through the IRA. U.S. utilities and energy companies will access approximately \$270 billion in tax credits over the next decade, according to the Congressional Budget Office. If cooperatives leverage their “fair share” of this funding, they will drive **\$35 billion** in funding to their service territories, including through direct pay. This number could be vastly higher — financial analysis from Credit Suisse suggests that the uncapped tax credits could drive \$800 billion total, spurring **\$100 billion+** in funding to rural communities.. This is in addition to the **\$9.7 billion** specifically reserved for cooperatives through the USDA.

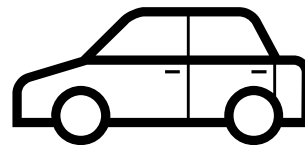
In the Inflation Reduction Act of 2022 (IRA), local leaders have new financial resources and tools to help their cooperatives meet their goals (3). This includes \$9.7 billion for rural electric cooperatives to reduce emissions and realize their clean energy goals (4). It also includes renewed and expanded clean energy tax credits. Importantly for cooperatives, these tax credits are available to cooperatives without a middleman for the first time via new “direct pay” provisions.



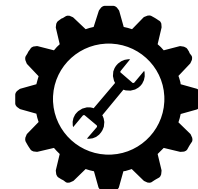
Clean Energy
Deployment



Household
Electrification



Electrifying
Transportation



Domestic Manufacturing
Capacity

The Inflation Reduction Act is the largest investment in clean energy technologies in U.S. history. It will support clean energy deployment, building and transportation electrification, and spur new manufacturing centers.

This funding can help cooperatives gain financial relief from expensive legacy coal assets — potentially including from debt service costs — as well as help cooperatives own their own clean energy generation.

Cooperatives can also benefit by championing consumer programs within the IRA that lower the cost of home and transportation electrification for member-owners. By taking full advantage of these laws, rural electric cooperative directors and staff can drive local economic growth, lower household bills, and deliver value for their utility and community.

In total, the Inflation Reduction Act will deliver an estimated \$369 billion in Federal investments — including grants, loans, loan guarantees, tax credits and rebates — to deploy clean energy, clean vehicles, and energy efficiency (5). It will also support new regional manufacturing hubs for clean technologies.

In addition to unlocking new economic development opportunities, these technological and market changes will have profound implications for electricity supply, supply and demand management, load growth, and resilience. Rural electric cooperatives should take planning for these changes seriously.

As the electric utility provider to 42 million Americans in 48 states, rural electric cooperatives are exceptionally well positioned to take full advantage of the cost-saving clean energy provisions within the law — and help their member-owners do the same (6).

In fact, if cooperatives help deliver their “fair share” of Inflation Reduction Act investments, they could drive \$45 billion in new Federal clean energy investments to rural communities this decade.

Funding Types

Grants

Formula Grants | Competitive Grants

Loans

Loans | Forgivable Loans | Loan Guarantees

Tax Credits with Direct Pay

Production Tax Credit | Investment Tax Credit

Rebates

Consumer Rebates

The IRA includes many types of funding, some competitive and others available to all qualifying projects. Cooperatives should leverage the type funding that most makes sense for their needs, and the project at hand.

This includes programs that will benefit both Generation and Transmission (G&Ts) and Distribution cooperatives. Ideally, partner utilities will collaborate to deliver the lowest cost, highest value solutions for member-owners and their operations.

Of the programs available to cooperatives, some are competitive, time-bound, and require shovel-ready projects. These will reward cooperatives ready to take action today. Other programs — like new direct pay tax credits — are uncapped, meaning that cooperatives can benefit from these programs for years to come, so long as future projects meet the program requirements.

But, these benefits won't materialize on their own. Cooperatives and their leadership will need to take initiative, navigate funding sources, and take an entrepreneurial approach to leveraging federal funding to maximize community benefit.

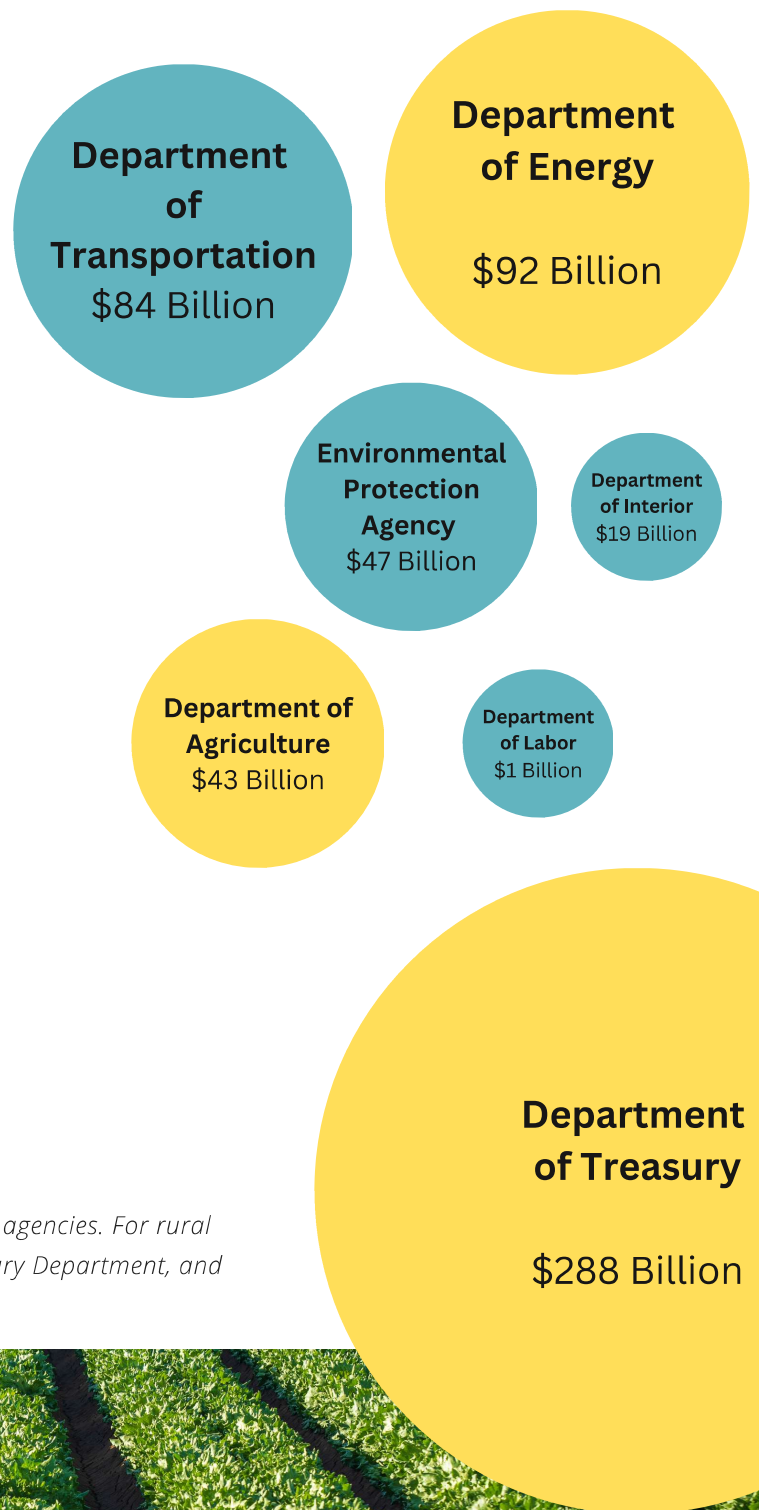
By doing so, cooperatives can better deliver on five key opportunities:

- Opportunity 1: Build and own low-cost clean energy generation
- Opportunity 2: Retire costly and aging coal assets
- Opportunity 3: Speed beneficial electrification and benefit from increased demand management capacities
- Opportunity 4: Deliver community benefits and grow regional economies
- Opportunity 5: Address energy burden and improve community health

The opportunities can be a catalyst for rural economic development. Utility directors and staff will play a clear role in delivering these benefits for their member-owners and utility. In doing so, they can help build community wealth through lower energy costs, more resilient energy systems, and direct cooperative ownership of new clean energy projects, while creating many new local jobs in high-paying sectors, such as electricians and solar installers.

Together, cooperative directors and staff can leverage the IRA to bring cost-effective clean energy solutions for their member-owners.

Funding within the IRA will move through multiple Federal agencies. For rural cooperatives, the US Department of Agriculture, the Treasury Department, and Department of Energy are the most important to watch.



OVERVIEW