

Draft Climate Pollution Reduction Grants proposal outlines

February 8, 2024

Share your feedback on Minnesota's proposals

We are seeking feedback on draft federal grant proposals to identify gaps and concerns. Please review the information below and complete the survey on our [online engagement platform](#) by February 21.

Background

The U.S. EPA's [Climate Pollution Reduction Grants \(CPRG\) program](#) will offer \$4.6 billion in competitive implementation grants for states, local governments, and tribal nations to reduce greenhouse gas emissions and other harmful air pollution.

Minnesota state government plans to lead two CPRG implementation grant proposals:

- **Climate-smart food systems**
Working at the intersection of food waste, local food economies, and climate-smart farming practices to reduce greenhouse gases across the state.
- **Equitable residential decarbonization**
Collaboration between state, Tribal, and local governments to reduce greenhouse gases from Minnesota's residential buildings.

The Minnesota Pollution Control Agency (MPCA) will be the lead agency applying for general competition funds on behalf of the state. Eligible entities may submit one proposal as an individual entity and one proposal as the lead of a coalition of eligible entities. Additionally, the state may join one or more coalition applications as a member. The state is currently considering multiple opportunities to join coalition applications as a member.

The grants for the general competition are due to the EPA on April 1, 2024. The EPA plans to announce grantees in July and award funds in October 2024.

Climate-smart food systems grant proposal outline

The Minnesota Pollution Control Agency intends to apply as an individual entity for just under \$200 million.

Minnesota is a leader in agricultural production, food processing, and innovation, generating over \$106 billion annually and supporting over 388,000 jobs.¹ This grant proposal aims to transform Minnesota's food system across several sectors including industry, transportation, natural and working lands, and waste to reduce greenhouse gas emissions and sequester carbon. The MPCA would work with several state agencies and external partners to accelerate nascent industries such as biochar and advanced clean biofuels, electrify food transportation and equipment, put organic materials to their highest use, restore and enhance lands and soils, and support local, community-driven projects through grants and other incentives. Actions will be targeted to benefit low-income and disadvantaged communities to reduce air pollution, fight hunger, support local foodways, and create training and job opportunities that build wealth.

¹ <https://mn.gov/deed/joinusmn/key-industries/food-agriculture/>

The draft proposal includes four areas of work in the Minnesota’s food sector, relying primarily on grants:

- Carbon sequestration in lands
 - Incentivize climate-smart soil health and nutrient management practices on agricultural lands. Practices may include cover crops, perennial crops, reduced tillage and no-till, prescribed grazing, nitrification inhibitors, urease inhibitors, and conservation crop rotation.
 - Boost production and use of biochar, targeting food scraps and wood waste as feedstocks. Biochar may be applied to agricultural fields, pastures, gardens, or added to compost.
 - Restore peatlands, originally drained for agricultural purposes, to transition from carbon sources to carbon sinks on public and private lands. Restoring the hydrology of these sites may support nearby food sources including wild rice, forage plants, game animals, and fish.
- Clean vehicles, equipment, and fuels
 - Increase industrial efficiency and transition to cleaner energy sources at food processing facilities. Technologies may include electric industrial boilers, industrial heat pumps, and combined heat and power.
 - Accelerate the transition to climate-friendly refrigerants in commercial settings.
 - Transition vehicles and equipment to electric or advanced clean fuels for models that are difficult to electrify. This program would potentially include freight transport vehicles, terminal tractors, transport refrigeration units, and agricultural equipment.
- Food loss and organic materials management
 - Support the development of compost facilities and anaerobic digesters to promote the highest use of food scraps, manure, and wastewater to limit methane emissions.
 - Produce renewable natural gas from anaerobic digestion to fuel agricultural equipment and other food sector uses.
- Vibrant local food economies
 - Establish Regional Food Councils to conduct community food assessments and identify ways to strengthen local food economies while reducing greenhouse gas emissions and benefiting low-income and disadvantaged communities.
 - Fund food waste prevention and other actions that reduce greenhouse gas emissions in local food systems through community grants.

Equitable residential decarbonization proposal outline

The Minnesota Pollution Control Agency intends to apply as a coalition lead for approximately \$350 million.

Decarbonizing homes is a necessary and particularly challenging part of transitioning to a carbon-neutral Minnesota. Decarbonizing through weatherization, efficiency, and electrification of current fossil fuel use is particularly challenging because:

- The needed work is highly-distributed relying on thousands of actors – from homeowners and apartment managers to contractors – taking action and making different decisions.
- Home decarbonization combines multiple technologies and actions.
- Decarbonizing homes requires upfront capital costs, most of which are currently covered by home- or property-owners. Many Minnesotans do not have the funds to make these investments and cannot bridge the upfront cost needed to benefit from rebates or tax credits.
- In cold climate Minnesota, cost-effective electrification technologies for heating during the coldest parts of winter have only recently come online and are not yet widely used, trusted, or understood. Some of

these technologies may require or benefit from a backup heating source, which may complicate the transition.

- Without intentional program design, decarbonizing homes will create further economic inequities, particularly along lines of race. One reason is because low-income and disadvantaged communities risk being left behind in the transition to electric heating and could bear a higher burden of propping up the current fossil fuel/fossil gas infrastructure. Another reason is that public housing and low-income housing has often lacked ongoing investment to maintain the properties, making the work needed to decarbonize more expensive.

Minnesota's equitable residential decarbonization CPRG proposal will take on these challenges head-on using a multi-pronged approach to achieve both near-term quick impact, scale over time, and foster transformative system change.

The draft proposal includes three categories of work:

- Deeply decarbonize existing and new construction affordable homes with significant connections to state financing and programming. To achieve this measure, we will:
 - Work through Minnesota Housing Finance Agency financing processes to deeply decarbonize existing and new construction affordable multifamily, single family, and manufactured housing.
 - Establish a manufactured homes trade out program that will pair with electrification and focus on poorly insulated older homes currently reliant on delivered fuels.
- Decarbonize buildings in which the State of Minnesota houses people to reduce pollution and create healthier living situations. In order to achieve this measure we will:
 - Fill the financing gap for a suite of projects to deeply decarbonize correctional facilities and veterans homes.
 - Recapture and redeploy Inflation Reduction Act direct-pay funds to further scale impact.
 - Build in staff capacity and training to foster transformative system change in approach to state-owned building decarbonization projects.
- Build and fund capacity around the state to localize and scale equitable residential decarbonization. In order to achieve this measure we will:
 - Grow the energy navigator program from a pilot to a statewide program.
 - Bring together a coalition of 3 Tribes and 8 local governments (3 regional development organizations and 5 cities) to create a cohort of local governments who will build, implement, and scale equitable residential decarbonization programming. Each of these Tribes and local governments will:
 - Receive funding for staff capacity to build programming.
 - Be allocated money to grow and scale programming.
 - Participate in a learning cohort to share lessons and work through barriers to implementation.
 - Create a second cohort of Tribes and local governments through a recruitment and open application process. This cohort will build on and learn from the first cohort of Tribes and local governments and receive similar funding and support.
 - Provide funding for a set of workforce and business development programs to both grow the needed workforce and create financial and wealth-building opportunities to low-income and disadvantaged communities.