

Dollars for decarbonization

An overview of funding sources and strategies



The environmental question most companies face today isn't whether decarbonization is necessary. It's how quickly you can make changes—and how to pay for them. Whether you have a project in mind but need incremental funding, or you have a broad carbon reduction goal without a specific plan, we have good news: a wide range of funding sources are available if you know where to look.

Trane can help you explore a spectrum of options ranging from what we call Dollars Given (tangible cash in hand) to Dollars Earned (less tangible but still significant). The funding categories below apply to projects of all sizes, from HVAC and chiller upgrades to new construction of zero-emissions facilities.



Let's start with the three sources that deliver the most immediate impact: **Dollars Given**.

01 Federal funding: The Inflation Reduction Act of 2022 (IRA). Last year's federal legislation included \$369 billion positioned towards energy and climate change initiatives, primarily infused into existing tax credit and tax deduction programs. We are intimately familiar with this legislation and the new requirements and can help you maximize dollars received.

- The Investment Tax Credit Section 48 (ITC) offers a potential **50% tax credit** for the installation of clean energy technology and storage. Newly enacted changes increase the existing credit, expand project eligibility standards and add booster credits for domestic content and/or installation in designated "Energy Communities."
- The Energy Efficient Commercial Buildings Deduction (179D) offers the opportunity to claim a **tax deduction of up to \$5.00 per square foot** for costs related to energy efficiency and electrification projects in new and existing buildings.

02 Utility incentives. Electrifying your heating and cooling systems can reduce operational and energy emissions. Right now, many utility companies are offering attractive **incentives and rebates** to help pay for upgrades to HVAC and other equipment.

03 Third-party investors. Yes, it's true: investors want to pay for your HVAC, solar and other decarbonization projects.

- **Environmental, Social and Governance (ESG) funds** attract investors and raise capital with the pledge of meeting specific sustainability outcomes. Often fully funded, they are actively looking to deploy capital into projects that help meet their stated environmental goals.
- Some third-party investors follow a **service model** (they own the equipment and assume the risk; you pay a monthly service fee) while others will help you fund or finance the purchase of your own equipment.
- For large capital-intensive projects with corresponding impact, **green bonds** are an option to attract investors looking for ESG instruments.

On the other side of the spectrum—**Dollars Earned**—sources are less splashy than tax credits but are valid considerations when you're looking for funding.

04 Energy cost savings. What's that old saying—a dollar saved is a dollar earned? Granny was right. When you invest in modern, energy-efficient equipment or systems, you can see significant savings in operating expenses. Yes, it's a cost, but one that begins to pay back immediately, especially with current energy prices.

05 Shareholder value. Is your company facing public pressure to take action against climate change? Greenlighting one or more decarbonization projects demonstrates progress, which can increase shareholder value and make your company more attractive to new investors.

06 Brand equity. This one is less measurable but nevertheless critical to your success. Customers care about sustainability, and they actively support brands that align with their beliefs. Being known as a leader in ESG and decarbonization can also help you attract and retain top employee talent.

Whatever the size or scope of your decarb initiative, there is likely a funding or financing source you should consider. But now is the time to act. It's worth underscoring the urgency on several fronts:

- We all have a limited time window to cut carbon emissions and cap the earth's temperature rise at 1.5°C.
- CDP scores (originally known as the Carbon Disclosure Project) are a comparative, public snapshot of your company's environmental disclosure and action. Every decarbonization project will help raise your grade, which is now visible to stakeholders, investors and lenders.
- Certain Inflation Reduction Act measures and utility incentives are contingent upon project start date.
- As anyone who deals with supply chain issues knows, new projects need to start yesterday to get materials on time.

Are you ready to delve deeper into options for funding your emissions reduction projects? Connect with a **Trane decarbonization expert** and say you'd like to discuss Dollars for Decarbonization.



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