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Illinois Finance Authority's Comments on the Illinois Power Agency's Draft 2026 Long-Term Renewable Resources Procurement Plan

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Illinois Finance Authority (IFA) is pleased to provide these comments to the Illinois Power Agency (IPA) to support the State's efforts to grow the state's clean energy economy in a just and equitable manner. Our country stands at a precipice, facing a direct assault on the affordability of energy for everyday people and businesses. Recent federal legislation and federal agency tariff directions will harm our economic competitiveness, gut the job market, and create harmful pollution that will cost lives. The State cannot afford to blink and back down. We must continue to move forward.

Section 850-5 of the Illinois Finance Authority Act (the "IFA Act") establishes the IFA as the state's climate bank "to aid in all respects with providing financial assistance, programs, and products to finance and otherwise develop and facilitate opportunities to develop clean energy and provide clean water, drinking water, and wastewater treatment in the state."

Over the past two years, IFA has worked to further that mission by establishing new initiatives that accelerate the clean energy and climate goals of the Climate and Equitable Jobs Act (Public Act 22-0660). This has included leading the State of Illinois' applications for federal funding under the Inflation Reduction Act's Greenhouse Gas Reduction Fund (including the National Clean Investment Fund and Solar for All competitions), supporting the State's Climate Pollution Reduction Grant Implementation Grant in coordination with Illinois Environmental Protection Agency (IEPA), and setting up new revolving loan funds, community electric vehicle charging efforts, and grid resilience grant programs for small utilities.

The IPA has released its Draft 2026 Long Term Renewable Resources Procurement Plan ("LTRRPP" or "Draft Plan") which details the goals and strategies for the IPA's renewable energy programs and procurements, including program capacity and renewable energy credit pricing for the Illinois Shines and Illinois Solar for All programs over the 2026-27 and 2027-28 Program Years. Once approved by the Illinois Commerce Commission, the plan will guide and provide boundaries for IPA activities. IFA is submitting these written comments on the Draft Plan during the public comment period, which ends on Monday, September 29, 2025.

The IFA and IPA have always shared a common background and mission. In fact, Illinois law has enshrined the two entities as partners in the past. Specifically, the IFA Act authorizes IFA to issue up to $4 billion in revenue bonds on behalf of IPA for new energy generation facilities (20 ILCS 3501/825-90). This statute provides a framework for coordination to help the state meet the challenges it now faces.
The comments provided herein reflect that shared background and mission, and identify a path forward for the entities to work together to face these new changing realities.

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Changing Reality: Accelerated Phase-Out of Federal Tax Credits

Under recently enacted federal legislation, residential rooftop solar tax credits expire on December 31, 2025. Commercial and ground-mounted solar projects must begin construction by July 4, 2026, in order to qualify for the full credit, with up to four years allowed to place the project in service. Projects that do not begin construction by July 4, 2026 must be placed into service by December 31, 2027 to receive any tax credit.

Changing Reality: Tariffs and FEOC rules raise costs

In addition to the phase-out of federal tax credits, developers are now facing new cost pressures from recently enacted tariffs and Foreign Entity of Concern (FEOC) restrictions. Tariffs on imported solar modules and critical components have increased equipment prices. FEOC rules limit access to lower-cost materials sourced from certain jurisdictions or equipment and materials sourced from organizations with certain foreign entity ownership. Together, these measures are driving up project costs and complicating supply chains, especially for smaller and emerging developers who lack the large-scale purchasing power or ability to absorb higher prices.

These changes reinforce the importance of creating stable financing pathways and ensuring continuity in the Renewable Portfolio Standard (RPS) and Renewable Energy Credit (REC) budget. By pairing IPA's established program structure in the Draft Plan with IFA's financing tools, Illinois can help developers manage higher upfront costs, sustain project pipelines, and continue delivering clean energy benefits to residents despite challenging market conditions, all while ensuring the state stays on track with its overall clean energy procurement goals.

Opportunities for Illinois Finance Authority and Illinois Power Agency to Work Together to support a strong clean energy market

The Illinois Power Agency Act (the "IPA Act") and the IFA Act were designed with complementary purposes that, when coordinated, can significantly strengthen Illinois' clean energy market. The IPA is charged with developing and administering renewable energy programs to meet the state's clean energy targets, while the IFA serves as Illinois' climate bank. Taken together, these roles present a unique opportunity to pair strong program design with innovative public financing tools to expand access to cost-effective capital, reduce costs, and ensure equitable participation across the state. This partnership is not new—when the IPA Act was established, it authorized the IPA to develop electric generation and co-generation facilities using renewable resources, financed through bonds issued by the IFA (20 ILCS 3855/1-20(a)(3)).

By working together, IPA and IFA can adapt these proven models towards renewable energy, stretching limited incentive dollars, leveraging federal and private capital, and ensuring that all developers, including those who face barriers to financing, have the resources they need to bring projects to completion.

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There are many opportunities to improve coordination between the two entities. For purposes of this 2026 Long-Term Renewable Resources Procurement Plan (Draft Plan), IFA suggests focusing collaboration in three key areas:

1. Leverage public finance to provide budget stabilization
2. Improving wrap-around supports to ensure solar benefits all communities
3. Enable low-cost finance by connecting operations

In addition, IFA has proposed slight revisions to reflect changes in availability of federal funding under the section "Revisions to Provide Flexibility for US EPA Solar for All Grant and Other Funding."

1. Leverage public finance to provide budget stabilization

The IPA Act explicitly envisions coordination between the IPA and IFA to achieve the state's renewable energy goals. Under Section 1-20(a)(3) of the Act, the IPA is granted the authority to develop electric generation and co-generation facilities using renewable resources, financed with bonds issued by IFA (20 ILCS 3855/1-20(a)(3)). While that authority has yet to be exercised, the underlying authority maintains the viability of a cooperative partnership. More recently, IFA has developed extensive experience operating revolving loan funds and issuing tax-exempt and taxable debt to deliver low-cost financing for critical infrastructure projects.

This statutory framework creates a clear pathway for the two agencies to work together: the IPA can focus on program design and resource procurement while the IFA leverages its public finance expertise to provide cost-effective, large-scale capital.

RPS Budget and REC Budget Shortfall (Section 3.3)

The Draft Plan projects there will be Renewable Portfolio Standard (RPS) budget shortfalls beginning as early as the 2027-2028 delivery year. Under the current statutory framework, this would require scaling down REC procurements and Adjustable Block Program offerings. Such reductions would create market uncertainty and slow progress toward Illinois' climate goals. To address this challenge, IFA proposes leveraging its financing structures to support IPA's programmatic structures, secured through the backing of REC contracts and RPS collections.

IFA would like to obtain stakeholder input on the viability and interest in using either its conduit bond financing structures or the IPA Revenue Bond Program to allow for the issuance of approximately $500 million to $1 billion in tax-exempt bonds for the benefit of IPA. IPA would be able to deposit the loan proceeds in the Renewable Energy Resources Fund (RERF) and use such funds to cover near-term budget shortfalls or gaps.

The benefit of such an approach would allow IPA to smooth out the budget impact of variable contract lengths over time. For example, the small distributed generation category of the Adjustable Block Program, as well as the Illinois Solar for All Program, pays out a full 15-year contractual payment in one lump sum, even though the REC delivery occurs over time. IPA could use bond proceeds to provide the up-front payment, backed by RPS collections over the 15-year life of the system. Further, such bond proceeds could be secured at a lower cost of capital than an investor or developer Internal Rate of Return that is built into IPA's REC calculator.

Section (K) of the IPA Act does allow for this. This approach supports the IPA Act's declaration for the Adjustable Block Program that it "shall be generally designed to provide for the steady, predictable, and sustainable growth of new solar photovoltaic development in Illinois" (20 ILCS 2855/1-75(c)(1)(K)).

IFA recognizes that the RERF is not the main funding vehicle for REC contracts for the Adjustable Block Program (or utility-scale REC contracts, for that matter), but that adjustments to the LTRRPP and contracts could enable its use. Specifically:

- **Illinois Solar for All.** IFA believes that if a portion of such funds are used for the Illinois Solar for All Program, no such statutory or programmatic change would be needed. Rather, the IPA would account for the current RERF balance as it opens each program year and would continue to operate the program as it has to date. Bond repayment could be secured from future RPS collections, creating a contractual obligation that will preserve funding. Further, this would enable increasing the deployment targets of the Illinois Solar for All Program each year of the plan, if so desired, as such contracts would be financed over the life of the system.
- **Adjustable Block Program.** For the Adjustable Block Program, RPS funds are held by the electric utilities, and contracts are entered into by the utilities. To use bond proceeds (deposited into the RERF) for the Adjustable Block Program, IFA proposes that IPA could amend its Adjustable Block Program REC contract language on a going forward basis to accommodate a structure in which IPA provides the utility with the funds required for the REC contract payment and the utility collects funds to make repayments to IPA (as directed by IPA in its LTRRPP) from future RPS collections. Illinois law simply requires that utilities be the counterparty to REC contracts ((20 ILCS 2855/1-75(c)(1)(L)(vi), and that the electric utility receives and retires all RECs generated by the project for the first 15 years of operation (20 ILCS 2855/1-75(c)(1)(L)(ii)-(iv)). It does not require that RPS fund collections be the only revenue source for utilities to enter into such contracts. Further, nothing prohibits RPS collections from being used to pay back IPA funds if those funds were used for eligible costs, such as REC contracts.

2. Improving wrap-around supports to ensure solar benefits all

The continued success of Illinois' renewable energy programs depends not only on large, well-capitalized firms but also on the participation of smaller developers, new businesses, and community-driven projects. These participants bring innovation, local knowledge, and direct benefits to households and communities, yet often face unique financing hurdles that can limit their ability to compete on equal footing. By pairing IPA's program design with IFA's financing tools, the State can build wrap-around supports that make it possible for a wider range of businesses and projects to succeed, thereby broadening the reach and impact of clean energy deployment in Illinois**.**

Equity Eligible Contractor and Emerging Small Business Financing (Section 7.4.6, 8.2.3, 10.2)

The Draft Plan proposes providing up to 50% of REC payments upfront to Equity Eligible Contractors (EECs) and emerging small businesses in order to address barriers to capital access. While this is a welcome innovation, financing gaps remain for development and project costs as well as for working capital and collateral needs. IFA could help bridge this gap by offering developers and projects advance-of-capital facilities or low-interest loans backed by awarded REC contracts. This could be used as the up-front capital proposed by the IPA or to cover the remainder.

Additionally, IFA could provide bridge loans to post collateral for REC contracts, collateral often being an expense that is particularly difficult for certain developers—especially small or emerging firms—to cover on their own. By stepping in to provide this support, IFA would reduce barriers to participation in REC procurements and ensure that Illinois' renewable energy market remains accessible to a broader and more diverse set of developers. IFA acknowledges the risks associated with development-stage financing, but notes that careful underwriting, loan-loss reserves, and partnership with IPA could mitigate these risks.

To support this effort, IFA proposes the Draft Plan include specific reference to coordination with IFA to support EECs and emerging small businesses to secure low-cost capital, support the advance of capital provisions, and to co-lead a workshop process to design risk-mitigating, complementary financing tools that align with IPA's funding.

3. Enable low-cost finance by connecting operations

As program incentives shift in response to federal policy changes, it becomes increasingly important to ensure that developers have access to stable, affordable financing options. Rising project costs and uncertainty around federal tax benefits can disrupt project pipelines and reduce the overall impact of the state's RPS goals. By aligning IPA's program structures with IFA's public finance capabilities, Illinois can connect operations in a way that lowers the cost of capital, sustains project momentum, and keeps clean energy deployment on track despite external uncertainty. The result of such coordination will have industry-wide impacts that benefit all ratepayers, support renewable energy developers, improve human health outcomes, and create economic development across the state.

Federal Tax Credit Phase-Out and Project Finance Gaps (Section 3.3; Chapter 5.7.5, Section 8.4)

The accelerated phase-out of federal investment tax credits (ITCs) will significantly impact the financial viability of solar projects across Illinois. IPA responds by proposing higher REC prices; however, this approach would put further strain on an already limited RPS budget and does not close the entire financing gap. IFA proposes supplementing these efforts by offering new loan options such as REC-backed bridge loans (in advance of tax credit expiration) to developers awaiting REC payments, enabling them to continue project pipelines without delay, and mezzanine financing (for projects currently in development that might miss tax credit deadlines) to replace part of the lost tax credit value to help projects reach sustainable internal rates of return and avoid project or REC contract cancellations.

In order to expedite this, IFA proposes that IPA amend its plan to explicitly allow the agencies to partner to streamline such financing. Specifically:

- IFA proposes that IPA allow for the assignability of REC contract payments (and not obligations) to IFA for the bridge and term loans IFA provides. This assurance would remove many of the risks related to company health, structure, and creditworthiness, as the REC payments would not have to pass through (and be collected from) the company to pay back the loan. This would simplify and streamline underwriting and allow loans to be accelerated to market, with underwriting focused on the narrow lens of REC contract timing.
- IFA also proposes that IPA work with IFA to establish back-end APIs and data transfer protocols to allow IFA to more easily evaluate the status, timing, and progress of REC contract awards. Seamless data exchange would allow the agencies to coordinate operations, reduce the friction of REC contract review, and accelerate capital to EECs and small companies that depend on cash flow for project development.

Revisions to Provide Flexibility for US EPA Solar for All Grant and Other Funding

The IFA appreciates the extensive collaboration and hard work done by IPA to develop and implement the US EPA Solar for All (SFA) grant. Unfortunately, IFA received a notice of termination letter for its SFA from US EPA. IFA is taking appropriate action related to the letter. The LTRRPP acknowledges receipt of the letter (Sec. 8.8.4, Pg. 321) and allows flexibility for IPA and IFA to use SFA funding if it is released in the future. However, IPA may want to make the following minor revisions to Sec. 8.5.3.3 (Pg. 299) regarding the Home Repair Pilot, for clarity:

> With consideration of stakeholder feedback received by the Agency in June 2025, and the success of the pilot so far, the Agency proposes extending the Pilot Program on Home Repairs and Upgrades until U.S. Environmental Protection Agency Greenhouse Gas Reduction Funds (GGRF) are available for site suitability upgrades. As explained in Section 8.8.4, The Illinois Climate Bank was awarded $156 million through the U.S. Environmental Protection Agency Greenhouse Gas Reduction Fund for Solar for All program. Some of this funding is was intended for grants for site suitability upgrades, thus addressing the same barriers to solar accessibility as the Pilot Program on Home Repairs and Upgrades. The IPA proposes to extend the Home Repairs and Upgrades pilot until the Illinois Climate Bank grant program begins operation. The IPA is aware that the Illinois Finance Authority/Climate Bank has received a notice of termination letter from the U.S. EPA regarding the Solar for All grant. The IPA will work with IFA to determine next steps.