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Policy Deep Dive: How to Reform the Office of Energy Dominance Financing

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The recommendations below are a technical addendum to our blog, "Energy Dominance Financing Isn't Truly Dominant. But It Should Be." They include specific actions Congress and the Department of Energy can take to improve EDF and maximize its ability to support the energy sector.

Speed Up Project Evaluation

This legislative and administrative proposal would allow for new and revised loan application evaluation timelines by:

- establishing an agreed-upon timeline for application review
- establishing a 60-day deadline for EDF to invite applicants into due diligence
- bolstering application status checks and extending them beyond Title 17
- supporting pre-diligence loan applications through technical assistance

Background and Need: EDF has long been criticized for lengthy application review times. This is due in part to incomplete applications or applicants who are unready for project financing debt, the bespoke nature of projects, the rigor of DOE's due diligence, which may result in lengthy due diligence and financial close timelines, and staff capacity constraints. While the timing of due diligence and the time to enter into financial close are often lengthy and vary widely, the review steps for completed, quality applications prior to invitation to due diligence were significantly reduced in the latter half of the Biden-Harris administration and in the current Trump administration. Codifying a timeline for evaluating a completed application once submitted, or for reviewing all required materials before an invitation to due diligence, could reinforce this trend by helping ensure that projects not ready for underwriting are turned away more quickly, preserving limited staff time and taxpayer resources so they can be refocused on creditworthy projects. In addition, updating the timeframe for checking the status of applicants' applications can make this feedback and communication with EDF more useful and actionable. Currently, DOE Title 17 is bound by a vague and unenforced "180 days after receipt of the application" provision, after which the applicant may request more information on the application status, not more than once every 60 days; outside of Title 17, there is no timeline for the application process.

Potential Reforms

- To establish clear expectations between DOE and the applicant, once a completed application is initially submitted for evaluation, **Congress could authorize new requirements to establish an agreed-upon indicative work plan and timeline between the applicant and EDF for application evaluation**. EDF could inform this timeline based on both the project details and known risk archetype to avoid a one-size-fits-all approach. It could be clarified that EDF's failure to meet an indicative date may not be used as a basis to deny, deem withdrawn, or otherwise prejudicially treat an application. To help applicants meet this timeframe, EDF could provide technical assistance to offset the costs of pre-diligence advisors, modeled on the authority it already has for its Tribal Energy Financing Program.

- To keep projects moving and focus LPO's evaluation on efficient review that prioritizes high-quality applications, **once an applicant satisfies all program requirements from the established workplan for invitation to due diligence, Congress could require a 60-day deadline for EDF's decision notice to the applicant** to either enter due diligence or to first address specific, documented deficiencies to be cured before entering due diligence. Applicants could have the opportunity to extend this timeframe if a request is made in writing (reinforcing authority currently allowed under DOE regulation), and could be allowed to resubmit completed applications for due diligence review after the initial 60-day window. This requirement would force EDF to regularly assess its staff capacity to ensure it has taken into consideration before inviting an application into due diligence to ensure the application moves at the speed of the applicant. This requirement also gives DOE more permission to "say no" to applicants that are not viable or ready for due diligence. This could be coupled with a requirement that EDF ensure that third-party advisors are provided with, and required to review, existing application and diligence materials before requesting additional information from applicants so that advisors are better educated on projects heading into due diligence and can move quickly into actual project underwriting.
- **Congress could also revise and augment existing "application status" requirements (42 U.S.C. § 16512(n)) to ensure that DOE is responsive to applicants and to expand these requirements beyond Title 17.** This could be tightened by shortening the timeframe for requesting information about the status of an applicant's application from 180 to 30 days to ensure a reasonable check in once an application is submitted, and be expanded to include routine questions about their application materials; extending this status check to include pre-applications; requiring formal consultations with EDF, including a written explanation if requested by the applicant; and shortening the timeframe applicants can follow-up on their application status from every 60 days to every 30 days.
- For consistency across programs, **all of these provisions could be implemented across all EDF programs (not just Title 17).**

Reauthorize Section 1706 in 2027 Before it Sunsets

This legislative proposal reauthorizes Section 1706 and establishes a more durable funding structure, specifies program intent, and clarifies the treatment of emissions.

Background and Need: The Section 1706 Energy Dominance Financing program (as created by IRA and amended by OBBBA) provides financing for energy generation and infrastructure projects that retool, repower, repurpose, or replace energy infrastructure that has ceased operations; enable operating energy infrastructure to increase capacity or output; support or enable the provision of known or forecastable electric supply at time intervals necessary to maintain or enhance grid reliability and other system adequacy needs. The program is among the most active under the Trump administration, with Southern Company recently receiving the largest loan guarantee in DOE's history for a range of clean firm, storage, and natural gas projects; and was a major focus of the Biden-Harris administration's post-IRA financing portfolio, supporting several major utility projects across grid upgrades/reconductoring/undergrounding, VPPs, hydropower and nuclear generation, transmission, and other technologies. The program operates under an authorization of appropriations in statute, as modified by OBBBA, that runs through the end of FY 2028, as well as appropriations for credit subsidy provided by OBBBA and loan authority originally provided by IRA, which need to be obligated before the end of FY 2028. Unlike other funds that are no-year and do not expire, Section 1706 would require Congress, in annual appropriations bills or another vehicle, to provide new appropriations (for credit subsidies and administrative expenses) and loan authority beyond FY 2028. To date, there has been no appropriation in any annual Appropriations Act for the program or budget control points established under Section 1706. Uncertainty about program funding availability (especially in the tail years, ending after FY 2028) could have a chilling effect on projects that may need more lead time to accommodate proposal development, underwriting, and project development timelines. In addition, the OBBBA amendments significantly broadened program eligibility and removed GHG emissions criteria, opening the door to potential use of fossil fuel and investor-owned utility projects.

Potential Reforms

- Instead of relying on time-limited and infrequent budget reconciliation vehicles to support Section 1706, **Congress could appropriate Section 1706 through regular order in annual appropriations,** clarifying how it allocates funding for Section 1706 and its sister loan program, Section 1703, across administrative expenses, credit subsidy, and loan authority.

- **Congress could provide additional guidance, either in annual appropriations or energy authorizing legislation, on the role of Section 1706 in financing technologies and infrastructure to meet the current moment**. Reauthorization would enable revisiting Section 1706 use cases as statutorily authorized, as discussed above, as a future Congress may have a different view of whether these use cases are adequate or properly designed. For example, calling attention to grid-enhancing technologies, advanced transmission technologies/reconductoring, aggregated distributed energy resources and storage, load flexibility, innovative technologies generally, or minimum types of certain technologies—all of which are ostensibly eligible under Title 17—could be further clarified by Congress.
- **Congress could use reauthorization as an opportunity to revisit whether there could be a middle ground position on emissions savings potential required from 1706 projects, post-OBBBA's removal of such requirements.**

Restore Transparency and Send Clearer Signals to the Private Sector

This legislative and administrative proposal would allow for new and revised requirements on publishing and updating the applicant pipeline, portfolio health, internal policies and procedures, and risk posture and risk management data.

Background and Need: EDF has long suffered political attacks from both parties for lack of transparency in public information about its portfolio, policies, and procedures. This has extended from Congressional oversight questions about program evaluation, due diligence, and risk management, to sometimes meritless accusations about political bias or conflict of interest, to recent concerns about the use of equity and warrants in projects without needed visibility or guardrails. Various GAO and DOE IG reports have echoed some of these concerns across Title 17, ATVM, and Tribal. The current administration has also recently stopped publishing non-required information to the public on the application pipeline (e.g., MAAR) and the details on the active portfolio (e.g., APSR or legacy information on the Portfolio Projects page) beyond basic statistics (e.g., Portfolio Performance). This lack of transparency makes it harder for the public and Congress to know what loan authorities are being used, how they have been used historically, how much loan authority is available currently, and how legacy projects and the active loan portfolio might be changing due to current policy factors (e.g., through cancellations, downscoping, terminations, etc.). It also makes it harder for EDF to defend itself when it's performing well in response to oversight.

Potential Reforms

- Congress could require publishing, or EDF could voluntarily publish, information about EDF's applicant pipeline, portfolio health, internal policies, and risk posture and risk management. For example, **Congress could require quarterly publishing of applications requested in aggregate by dollar amount and sector, and an updated list of all current and repaid (including pre-2025) portfolio projects; and annual publishing of a status report on portfolio-wide performance to include disbursements, defaults/recoveries, job creation, and private sector investment based on EDF support.** This would go beyond triennial Congressional reporting requirements for Title 17 and ATVM, and provide more timely and helpful data to the public.
- **Congress could also require EDF to publish and annually update its conflict of interest policies for federal and contractor staff, application guidance, and evaluation procedures, and require staff training on these materials,** all of which, rightly or wrongly, have been recent targets of oversight inquiry over their accuracy as programs changed over time.
- **Congress could require EDF to publish and annually update its credit policy, including its risk appetite, investment priorities, and risk management**. Going beyond esoteric FCRA baseline reporting on credit subsidy reestimates (2 U.S.C. § 661 et seq.), this requirement could help the public actually grasp what types of project-level risk DOE is taking on in aggregate, and whether it is the right level of risk, allowing Congress to provide direct oversight over how EDF is emphasizing innovative projects across the portfolio. This requirement could also help the public understand how EDF views types of risk across project type or risk archetype, and how it is thinking about a portfolio-approach to risk; EDF's high-level policies for identifying and mitigating foreign ownership and control in projects; how the office identifies and addresses distressed assets; or how EDF structures around use of equity, warrants, and general collateralization in underwriting projects, including guardrails (e.g. when to exercise, for how long, when to exit), among other known project risks. [1]

Give EDF Institutional Stability

This legislative proposal authorizes a Program Direction account within EDF to steward administrative expense budgets and to establish fees and associated offsetting collections authority across DOE-administered loan programs.

Background and Need: Administrative expenses support both federal employee salaries and contractor support across a range of technical, financial, legal, risk management, and other expertise critical to loan program origination, monitoring, and oversight. Currently, administrative expenses are appropriated on a program-by-program basis. This often leads to uneven budget support for professional staff who originate new loans or provide oversight and monitoring of existing loan portfolios. In practice, there is a high degree of shared expertise across programs, all relying on key professional skill sets (risk or portfolio management, underwriting, legal expertise, etc.). In addition, as currently authorized, only one program (Title 17) can charge and collect fees to help offset administrative expenses appropriated by Congress. EDF's other loan programs either have fee structures that are not set up to use collections to offset new administrative expenses appropriations or lack comprehensive fee and collection mechanisms altogether.

Potential Reforms

- **Congress could authorize a more flexible structure modeled after other DOE Program Offices' Program Direction (PD) accounts, which provide administrative support across Program Office functions, to enhance predictability and flexibility across all DOE loan program offerings**. This could be coupled with **broader use of fees and offsetting collections across the PD account** to help administrative expenses across loan programs move toward partial self-sufficiency. This structure would be similar to DFC's broadly authorized use of receipts to support its program overhead needs and other purposes; DOE's Power Marketing Administrations, which already use offsetting collections for distinct purposes within a single program account, with each budgeted and appropriated separately; or authority provided to the DOE Office of Nuclear Energy to use proceeds from the sale of uranium as revolving discretionary offsetting collections under the American Energy Independence Fund. With these changes, EDF could plan for contingencies when appropriations fall below needed amounts in one program, or if deal volume in another program outpaces expectations in a given fiscal year and the Department needs to plan resources accordingly.
- To continue to provide program-level line of sight into administrative expenses and prevent underfunding any one program's administrative expenses, **Congress could provide important guardrails by continuing to appropriate a floor amount for administrative expenses across loan programs, stipulating only a small amount of a given loan program's offsetting collections can be used for broader PD and only after that program's budgetary needs are accounted for, and/or by providing a requirement to maintain capacity or a certain headcount for "oversight and reporting"** (i.e. portfolio management personnel in EDF's case). [2] The new PD account and these new flexibilities in the use of fees and offsetting collections could be designed to supplement, not replace, the need for new appropriations across all loan programs, providing new tools to support more durable program operations. The PD account could also be a place to collect receipts, for instance from equity stakes exercised in projects, should Congress choose to provide that authority. Together, these reforms could provide a more sustainable framework for the program's

operations and ensure proper due diligence and monitoring if Congressional appropriations are unavailable.

ENDNOTES

1. Several of these recommendations follow existing statutory requirements of other federal credit programs (e.g. Federal Housing Authority's annual independent actuarial report to Congress on loan performance (12 U.S.C. § 1708(a)(4)); EXIM's annual report including exposure by product, market, and industry (12 U.S.C. § 635g(a))). Potential new areas of data sharing (e.g. private capital mobilization, credit policy and risk appetite, use of equity and warrants) also have precedent (e.g. DFC's annual report on default and recovery rates, funds committed and disbursed, capital mobilized, year-on-year equity returns, and disclosure of DFC's risk appetite (22 U.S.C. § 9653)).

2. See requirement of related provisions from the DFC Modernization and Reauthorization Act of 2025, enacted in the FY 2026 NDAA (P.L. 119-60, § 8754 (139 STAT. 1965))