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CLIMATE SMART  
MISSOULA

## **Bridging the Gap with the Footprint Fund:**

*Increasing energy efficiency or adding renewable energy to buildings via local Carbon Offset Initiative*

Climate Smart Missoula is looking to develop local carbon offsets by funding energy savings and renewable energy generation in affordable housing or nonprofit buildings. Our Carbon Offset Footprint Fund works by funding energy savings in exchange for the rights to the avoided greenhouse gas (GHG) emissions. These rights are then purchased by organizations and individuals to offset their own GHG emissions. We are ramping up this effort in 2023 and are soliciting projects that might be a good fit for the Footprint Fund

Here we describe how our Carbon Offset Footprint Fund works in the hopes that more of these projects will be available and that *you* and *your business* might be interested in participating as a fund recipient.

### **First, what is a Carbon Offset?**

An offset is a reduction in greenhouse gas emissions that is paid for by someone else to “offset” their own greenhouse gas emissions. Essentially, the avoided GHG emissions resulting from energy conservation and renewable energy generation become tradable commodities, and the purchase of the offsets helps to fund the improvements. Offsets on the open market are generally certified through a third-party verification and tracking organization. For our Footprint Fund, the offsets are not certified; instead we rely on a high level of trust between partners and publication of our methods for verification.

It is important to note the concept of *additionality* for any true carbon offset. For an offset project to be valid the reductions in greenhouse gas emissions must not have occurred otherwise, meaning the money from the offset purchase cannot just be replacing another source of funding. Instead, it must go towards greenhouse gas reductions that would *not* have happened without the purchase. This is described more fully on our Footprint Fund website.

### **Example: The Cornerstone Pilot Project**

In late 2020, Climate Smart Missoula, Clearwater Credit Union, the Missoula Housing Authority, and MMW Architects developed an innovative project to fund energy efficiency improvements in an affordable housing project by selling the GHG offsets. This project was a pilot of our Footprint Fund, was a successful “proof of concept”, and now serves as a model for additional projects.

Here’s how it worked. The Missoula Housing Authority (MHA) built the Cornerstone Apartments, an urban infill project with 12 one-bedroom homes for very-low-income people (<30% AMI). Due to budget limitations, the MHA had to remove the initially specified high-efficiency air-source heat pumps and replace them with cheaper, less-efficient electric resistance heaters. Installing the less-efficient heaters would be a missed opportunity to reduce energy bills and community carbon emissions. Thus, the question: how could we “bridge the funding gap”, include the heat pumps, and save energy?

In this project, Clearwater Credit Union partially funded increased energy efficiency measures in the Cornerstone apartments in exchange for the rights to the reduced greenhouse gas emissions. This allowed Clearwater to offset several years of their GHG emissions and saved the MHA thousands of dollars per year in energy costs. As the heat pumps would *not* have been installed without Clearwater, the project is “additional,” and Clearwater was able to claim the greenhouse gas reductions from the lifetime energy savings. The project generated 877 metric tons of CO<sub>2</sub> equivalent savings, enough to offset roughly two years of Clearwater’s emissions, at a price of \$25/ton. The lower energy and O&M costs will save the MHA approximately \$107,000 over the lifetime of the system. This project was made possible by the close collaboration between the project partners. A full technical description of the project is found here: <https://www.missoulafootprintfund.org/cornerstone.html>.

### **Stacking with other funding from the Inflation Reduction Act (IRA)**

We are also working diligently to understand and help developers and nonprofit organizations get set up to use funds from the Inflation Reduction Act. Stacking these funds, rebates, or tax incentives with the Footprint Fund could be a very effective means of building highly energy efficiency homes or nonprofit commercial spaces, reducing the future energy burden for the homeowners or building occupants.

### **Moving Forward in 2023**

Climate Smart is now ready to broker more carbon offset purchases for local businesses and community members. We have funds coming in and need projects.

If you are working on or know of a project where the greenhouse gas emissions of the building could be reduced with additional investment, but these are unaffordable at this time, please reach out to Climate Smart to discuss a possible collaboration.

Finally, we know that it can be difficult to secure true additionality for energy efficiency or renewable energy projects or it may be difficult to determine the actual greenhouse gases saved. The Footprint Fund has a portion of its donated funding that can be used for projects that do not meet these high standards, and we encourage you to be in touch to discuss less stringent options.

For more information on the project, including a description of the calculation methodology and a “How to Submit a Footprint Fund Project” document, visit [www.missoulafootprintfund.org](http://www.missoulafootprintfund.org). For any questions, or to discuss a possible collaboration, please contact us.

Thank you,

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