U.S. DEPARTMENT OF THE TREASURY

ENVIRONMENTAL JUSTICE STRATEGIC PLAN

Environmental Justice Strategic Plan

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I. Executive Summary

Executive Order (EO) 14096 on Revitalizing Our Nation's Commitment to Environmental Justice for All advances the Federal government's efforts to deliver real, measurable progress on environmental justice.[1] EO 14096 charges Federal agencies with exercising leadership and strengthening their efforts to address environmental injustice. Environmental justice, as defined by EO 14096, is, in part, "The just treatment and meaningful involvement of all people, regardless of income, race, color, national origin, Tribal affiliation, or disability, in agency decision-making and other Federal activities that affect human health and the environment."[2] The order makes clear that the pursuit of environmental justice is a duty of all executive branch agencies and that agencies should be taking actions now to incorporate this charge into their missions.[3]

The U.S. Department of the Treasury ("Treasury") has developed this Environmental Justice Strategic Plan ("the Plan") in response to EO 14096 and in accordance with Treasury's mission. The Plan describes Treasury's efforts to advance a wide range of economic policies, programs, and operations that address the needs of local communities, including communities with environmental justice concerns. The Plan provides an overview of Treasury's work to date and describes Treasury's plans to continue to deliver on the goals of EO 14096. Treasury's plans and the framework described by this document have been informed by extensive stakeholder engagement.

Treasury's efforts to advance environmental justice include three primary goals:

- Supporting Clean Energy and Climate Resilience Investments
- Promoting Research and Transparency on the Economic and Financial Impacts of Climate Change
- Improving the Environmental Impact of Treasury Operations

II. Agency Environmental Justice Vision Statement

As part of its role as a steward of the U.S. economic and financial system, Treasury is committed to building an inclusive economy that works for all Americans and advancing policies and initiatives that address the challenges facing the country's most vulnerable communities, including those most impacted by climate change and the energy transition. Treasury aims to build an economy where all communities can reach their full economic potential and contribute to and benefit from the nation's economic growth and prosperity. This includes addressing climate-related harms in communities with environmental justice concerns by mitigating physical and economic impacts and supporting long-term investments to create jobs, grow wages, and build resilience.

1 EO 14096, Revitalizing Our Nation's Commitment to Environmental Justice for All, 88 Fed. Reg. 25251 (April 26, 2023), https://www.federalregister.gov/documents/2023/04/26/2023-08955/revitalizing-our-nationscommitment-to-environmental-justice-for-all

2 Environmental Justice, as defined in EO 14096, Section 2(b): "'Environmental justice' means the just treatment and meaningful involvement of all people, regardless of income, race, color, national origin, Tribal affiliation, or disability, in agency decision-making and other Federal activities that affect human health and the environment so that people: (i) are fully protected from disproportionate and adverse human health and environmental effects (including risks) and hazards, including those related to climate change, the cumulative impacts of environmental and other burdens, and the legacy of racism or other structural or systemic barriers; and (ii) have equitable access to a healthy, sustainable, and resilient environment in which to live, play, work, learn, grow, worship, and engage in cultural and subsistence practices."

3 For more on EO 14096, Executive Order to Revitalize our Nation's Commitment to Environmental Justice for All, see: https://www.whitehouse.gov/briefing-room/statements-releases/2023/04/21/fact-sheet-president-biden-signs-executive-order-to-revitalize-our-nations-commitment-to-environmental-justice-for-all/

III. Overall Approach to Advancing Environmental Justice

Treasury's implementation of data-driven policy solutions, deep engagement with communities and stakeholders, and ability to leverage its internal assets and operations serve as the foundation for Treasury's approach to advancing environmental justice.

As part of its 2022-2026 Strategic Plan, Treasury identified promoting equitable economic growth and recovery and combatting climate change as two of its five strategic goals. Within these two priority goals, several objectives have particular relevance to the United States' most vulnerable communities, including those with environmental justice concerns. These objectives include promoting equitable financial recovery and growth through supporting the flow of capital to small businesses and low-income households and disadvantaged communities; promoting a resilient housing market and equitable access to homeownership; promoting incentives and policies for the private sector and consumers to invest in climate-friendly and resilient projects and activities; and identifying and mitigating climate-related financial risks to disadvantaged communities. These objectives are currently being tracked as part of Treasury's annual strategic review process.

To advance these objectives, Treasury carries out a number of actions within the three primary goals described in detail throughout this Plan. These actions primarily focus on Treasury's ability to support the flow of capital through policy initiatives, develop research and analysis on the impacts of climate change on vulnerable communities, and improve Treasury's internal operations to account for environmental justice concerns.

In 2024, Treasury reviewed recommendations on Climate Planning, Preparedness, Response, Recovery, and Impacts from the White House Environmental Justice Advisory Council (WHEJAC), which the WHEJAC transmitted to the White House Environmental Justice Interagency Council and Council on Environmental Quality (CEQ) and publicly released on its website. This Plan acknowledges, where applicable, Treasury's efforts to address some of the recommendations provided by the WHEJAC. Treasury continues to review the full set of WHEJAC recommendations on Climate Planning, Preparedness, Response, Recovery, and Impacts and is aware of other important recommendations made by the WHEJAC.[4]

For the purposes of this Plan and for fulfilling EO 14096, Treasury's Environmental Justice Strategic Plan focuses on policy efforts and initiatives within the United States, even as Treasury has also undertaken significant efforts abroad in coordination with our partners and allies.

Built on the foundation created by Treasury's 2022-2026 Strategic Plan, this Plan demonstrates Treasury's wide-ranging efforts to address environmental justice concerns across the Department's economic and financial policies and programs.

4 For the full set of WHEJAC recommendations, see: https://www.epa.gov/environmentaljustice/white-house-environmental-justice-advisory-council

IV. Treasury Environmental Justice Goals

Goal 1: Supporting Clean Energy and Climate Resilience Investments

Treasury's 2022-2026 Strategic Plan calls for the Department to create and promote incentives and policies for the private sector to invest in climate-friendly and resilient projects and activities. Accelerating the flow of capital toward clean and renewable investments is essential to meet national climate targets and to help build a more resilient economy in the face of growing climate-related threats. It is critical that the economic opportunities created by the transition to the clean energy economy are shared by all Americans, including Tribal communities, communities of color, rural communities, and communities harmed by legacy pollution. The Treasury Office of Tax Policy, Inflation Reduction Act Program Office, Office of Tribal and Native Affairs, Office of Community and Economic Development, and Office of Gulf Coast Restoration are responsible for pursuing and measuring the impact of objectives related to Goal 1 Priority Actions.

Desired Objectives

- Increased flows of capital for clean energy and climate resilience projects into low-income and disadvantaged communities
- Greater awareness of available incentives, including eligible low-income and high-need households, communities with environmental justice concerns, and local and Tribal officials to enable planning and coordination around investments

Priority Actions

A. Implementation of Inflation Reduction Act Incentives

The Inflation Reduction Act (IRA) makes the largest investment in addressing climate change and advancing environmental justice in our nation's history, and much of this investment is delivered through tax incentives administered by Treasury. Key tax incentives in the IRA were specifically designed with place-based bonuses to encourage additional investment in low-income, disadvantaged, and high-need communities, otherwise at risk of low adoption rates for these incentives.

The IRA increases the amount of the clean energy Investment Tax Credit available for solar and wind facilities through the Low-Income Communities Bonus Credit program, which is a competitive, allocated credit that supports the development of renewable energy wind or solar facilities that (1) are located in low-income communities, (2) are located on Indian land, (3) are part of affordable or public housing, or (4) deliver direct financial benefits to low-income households.[5] Treasury designed the program to serve the people and places most at risk of being left behind in the transition to a clean energy economy so that all communities can participate in the economic benefits of the IRA.

The IRA also provides for increases in the clean energy Production and Investment Tax Credits for projects in energy communities—defined as areas with a coal mine or coal plant closure; areas that had substantial fossil fuel employment and a previous year unemployment rate at or above the national average; or brownfield sites (such as land that is underutilized due to pollution from former industrial use). These communities often bear the brunt of the energy transition, suffer from underinvestment, and are overburdened by pollution. Treasury's efforts to support energy communities are aligned with other federal efforts to direct the overall benefits of federal investment to disadvantaged communities.

5 For more on the final rules and guidance for the Low-Income Communities Bonus Credit program, see: https://home.treasury.gov/news/press-releases/jy1688

In addition to place-based bonuses, the IRA also expands the range of actors that will have a direct incentive to invest in their communities. Prior to the IRA, organizations with little or no tax liability generally could not take full advantage of clean energy tax incentives. Through the IRA's Elective Pay mechanism, state, local, Tribal, and U.S. territorial governments, tax-exempt entities, and certain other entities can receive certain tax credits as payments.[6] With Elective Pay, more clean energy projects will be built quickly and affordably, and more communities will benefit from the growth of the clean energy economy.

In recognition of historical barriers to clean energy access on Tribal lands, Treasury has focused on integrating Tribal consultation feedback on the IRA implementation to increase accessibility. In the Low-Income Bonus Credit Program, we incorporated Tribal consultation feedback and in Program Year 2023, initial data shows nearly 100 planned projects on Tribal lands. In October 2024, Treasury and IRS released proposed guidance on the tax status of wholly-owned Tribal business entities that recognizes that these entities are not subject to income tax and describes how they can file for certain IRA tax credits through the Elective Pay mechanism. This guidance addresses an issue that had been pending for thirty years and opened billions of dollars in Tribal clean energy funding through the Elective Pay mechanism.

Along with historic clean energy tax incentives, the IRA also made a major investment in modernizing the systems and operations of the Internal Revenue Service (IRS). These operational investments in the IRS will benefit taxpayers across a range of areas, including with uptake of clean energy incentives.[7] For example, enhanced IRS outreach efforts and greater access to assistance will help taxpayers understand which clean energy credits they may be eligible to claim. Additionally, modernized technological capabilities will streamline the process for governmental and tax-exempt entities to utilize the law's Elective Pay mechanism.

Several of the WHEJAC's recommendations for Treasury[8] focused on the implementation of the IRA, including but not limited to the incentive for clean hydrogen production and the hydrogen industry's impact on climate change and local communities. Treasury reviewed the WHEJAC's recommendations during the rulemaking process, and Treasury and the IRS carefully considered public comments to craft the final regulations for the IRA tax incentive for clean hydrogen production .

B. Principles around High-Integrity Voluntary Carbon Markets (VCMs)

Voluntary carbon markets (VCMs) represent an additional channel of potential economic development financing. While these markets are currently modest in size, many observers believe that these markets will become much more significant over time if they are able to address key challenges. In 2024, Treasury, together with several other federal agencies, announced the Principles for Responsible Participation in Voluntary Carbon Markets. These principles outline a number of elements to improve the quality and impact of these markets and incorporate environmental justice objectives. For example, Principle 2 highlights these issues as follows:

> ***Credit-generating activities should avoid environmental and social harm and should, where applicable, support co-benefits and transparent and inclusive benefits-sharing.***
>
> *Climate and environmental justice impacts of credited activities are important to understand, and project and program developers should seek to avoid negative externalities for the communities in which they operate. Safeguards should be put in place to identify and avoid potential adverse impacts on people and the environment, including as they relate to local communities, land use and tenure rights, food security,*

6 For more on the final rules for elective pay, also known as "direct pay", see: https://home.treasury.gov/news/press-releases/jy2157
7 For the Internal Revenue Service Inflation Reduction Act Strategic Operating Plan for FY2023 – 2031, see: https://www.irs.gov/pub/irs-pdf/p3744.pdf
8 For the full list of WHEJAC's recommendations on Climate Planning, Preparedness, Response, Recovery, and Impacts, see: https://www.epa.gov/system/files/documents/2023-09/WHEJAC%20Recommendations%20on%20Climate%20Planning%2C%20Preparedness%2C%20Response%2C%20Recovery%20and%20Impacts%20.pdf

nature, and biodiversity. They should proactively monitor and mitigate any adverse impacts that remain. Where appropriate, they should also seek to enhance positive impacts. To that end, the identification and delivery of verified "co-benefits" associated with credit-generating projects and programs, such as sustainable economic development and increased biodiversity, are encouraged. Projects and programs, including any benefits-sharing arrangements, should also be designed and implemented in consultation with—and, where applicable, in partnership with—relevant stakeholders and respect Free, Prior and Informed Consent where it applies.

C. Supporting Clean Energy and Resilience Investments by Community-Based Financial Institutions

Over the past four years, community development finance has been transformed both by the historic scale of federal investments and policies focused on supporting equitable economic growth.[9] Through the Community Development Financial Institutions (CDFI) Fund, Treasury offers tailored resources and innovative programs that invest federal dollars alongside private sector capital, serving mission-driven financial institutions that take a market-based approach to support expanding economic opportunity and access to financial services for local communities.[10] CDFIs have helped open new channels for access to capital to economically distressed communities nationwide, including Tribal, low-income, and local communities disproportionately impacted by climate events.

Spurred on in large part by the unprecedented new resources in the Inflation Reduction Act, CDFIs and other community-based financial institutions can realize opportunities to undertake clean energy investments in their communities. As momentum around climate-focused community finance builds, Treasury is working to develop frameworks for measuring the impact and value of climate investment by CDFIs.[11]

D. Funding for Resilience in the Gulf Coast Region

The U.S. Gulf Coast has long been impacted by hurricanes and tropical storms and faces extreme heat, rainfall, and humidity. However, the frequency and severity of storms has been increasing due to climate change .[12] Following the 2010 Deepwater Horizon explosion and oil spill, Treasury has played a central role in supporting impacted Gulf Coast communities with funds for ecosystem restoration, economic development, and tourism promotion. Under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act (RESTORE Act) of 2010, Treasury oversees the Gulf Coast Restoration Trust Fund, which receives eighty percent of all administrative and civil penalties paid after July 6, 2012, by responsible parties. Under the RESTORE Act, amounts in the Trust Fund are available for programs, projects, and activities that restore and protect the environment and economy of the Gulf Coast region.

Under the RESTORE Act, Treasury administers a Direct Component grant program[13] to fund projects designed to rebuild the economy and ecosystems of the U.S. Gulf Coast.[14] Examples of Direct Component-funded projects include levees and other flood protection structures; water treatment facilities; beach, dune, and marsh nourishment; workforce development facilities and programs; infrastructure including roads, bridges, and port facilities; and facilities and programs to promote tourism and the region's fishing and aquaculture industries. All Direct Component projects must be selected following a public comment

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9 For more information on Treasury's approach to community finance policy, see: https://home.treasury.gov/system/files/216/The-Treasury-Department-Approach-Community-Finance-Policy.pdf

10 For more on the CDFI Fund, see: https://www.cdfifund.gov/

11 For a summary of Treasury's convening on climate-focused community finance, held May 10, 2023, see: https://home.treasury.gov/system/files/216/Summary-U.S.-Department-of-the-Treasury-Convening-on-Climate-Focused-Community-Finance.pdf

12 For more on relationship between storm severity and climate change, see the sixth report from the Intergovernmental Panel on Climate Change (IPCC): https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_LongerReport.pdf

13 For more on the Direct Component grant program, see: https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/restore-act/direct-component

14 For more on Treasury's RESTORE Act Programs, see: https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/restore-act/about-treasurys-restore-act-programs

process to obtain broad-based participation from individuals, businesses, federally recognized Tribes, and non-profit organizations. Many Direct Component recipients have selected projects that support environmental justice by upgrading stormwater, wastewater, or drinking water infrastructure or conducting environmental restoration projects in low-income and other communities overburdened by climate change.

Metrics and Indicators

Treasury is closely monitoring uptake of Inflation Reduction Act tax incentives and will continue to report publicly on progress. Recent reports have highlighted the following:

- In its first year, the Low-Income Communities Bonus Credit Program received over 54,000 applications for energy facilities from 48 states, the District of Columbia, and 4 territories, and approved over 49,000. These approved applications total nearly 1.5 gigawatts of expected energy capacity and approximately $3.5 billion in public and private investment into communities. These facilities are estimated to generate $270 million in offset energy costs annually.[15]
- More than 3,000 entities have requested a total of more than 150,000 registration numbers for projects or facilities pursuing elective pay or transferability. These projects span all 50 states, as well as U.S. territories. This includes more than 1,500 entities requesting more than 4,000 registration numbers for elective pay projects, including submissions by more than 600 state and local governments. A wide variety of credits are being used.

In addition to monitoring uptake of IRA tax credits, Treasury is also closely monitoring and analyzing the geographic distribution of clean energy investments. Treasury's analysis shows that investments in IRA-support industries are growing significantly in disadvantaged and energy communities. Specifically, Treasury has found:

- Pre-IRA, clean energy investments in energy communities—places that had traditionally relied on industries such as coal—were at $2 billion a month, compared to $2.5 billion in other places. Based on updated Treasury analysis published in March 2024, since the IRA was passed, $4.5 billion of investment per month has been announced in energy communities, more than the $3.5 billion announced elsewhere.[16]
- Since the IRA was passed, 69 percent of announced clean energy investments have been in counties where the employment rate is below the national aggregate; 75 percent have been in counties where the median household income is below the national average; and 84 percent have been in counties where college graduation rates are below the national rate. [17]
- The CDFI Fund has begun to collect information through its Annual Certification and Data Collection Report on "Climate-Centered Financing" by CDFIs. In 2023 for example, nine certified CDFIs reported holding $93.7 million in "Climate-Centered Financing" financial products in their portfolios .[18]

Treasury will continue to monitor the impacts of funding and grants under the RESTORE Act:

- Since 2012, Treasury has made awards totaling $617 million from the Gulf Coast Restoration Trust Fund for Direct Component projects, including for projects that are strengthening climate resilience in Gulf Coast communities.[19]

15 For the full analysis of the first year of the Low-Income Communities Bonus Credit Program, see: https://home.treasury.gov/news/featured-stories/analysis-of-the-first-year-of-the-low-income-communities-bonus-credit-program-building-an-inclusive-and-affordable-clean-energy-economy

16 For more analysis on the Inflation Reduction Act's impacts on "Energy Communities", see: https://home.treasury.gov/news/featured-stories/the-inflation-reduction-act-a-place-based-analysis-updates-from-q3-and-q4-2023

17 See above link for more information.

18 For more information on the CDFI Annual Certification and Data Collection Report (ACR), see: https://www.cdfifund.gov/sites/cdfi/files/2024-12/2023_ACR_Public_Report.pdf

19 For more on Treasury's work to build climate resilience with RESTORE Act recipients, see: https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/restore-act/addressing-the-climate-crisis-how-treasury-partners-with-restore-act-recipients-to-build-climate-resilience

Engagement

Building new relationships with climate-impacted communities to inform policy design through public engagement has been central to Treasury's efforts to promote climate-friendly investment. Over the past few years, Treasury has built new relationships with stakeholders representing communities most at risk of being left behind in the transition to clean energy and those most impacted by climate change. Treasury plans to continue to ensure that information regarding available investments reaches communities nationwide, including through outreach to state, local, and Tribal governments, along with businesses, non-profits, and advocacy groups, including technical assistance providers, environmental justice advocates, and climate entrepreneurs of color who serve diverse constituencies such as low-income, Tribal, and rural communities. Through public comment processes, stakeholder meetings, stakeholder roundtables, and multi-stakeholder convenings, Treasury has heard from thousands of parties whose broad range of perspectives have informed the Department's policy design and implementation. Treasury has made an especially concerted effort to receive input from frontline communities that are highly exposed to the threats from climate change. Key examples of Treasury's engagements with frontline communities in 2022 and 2023 include the following:

- A series of roundtables with underserved communities and Deputy Secretary Wally Adeyemo, focused primarily on the IRA's Low-Income Communities Bonus Credit Program[20]
- An all-day convening on climate-focused community finance, which included representatives from Community Development Financial Institutions (CDFIs), CDFI partners and investors, researchers, advocates, and other related organizations on climate-focused community finance[21]
- A series of seven Tribal consultations focused on ensuring that Inflation Reduction Act implementation incorporates input from Tribes on accessibility for clean energy incentives[22] and an additional 100 Tribal engagement sessions ranging from webinars to one-on-one Tribal meetings to educate on these opportunities[23]
- An initiative to reach 150 "Comeback Communities"[24] throughout the spring, summer and fall of 2024 to ensure that local governments focused on their economic comeback are aware of and take advantage of the Elective Pay mechanism enabling them to access clean energy tax incentives under the Inflation Reduction Act

20 For more information on the roundtables, see: https://home.treasury.gov/news/press-releases/jy1447

21 For a summary of the convening, see: https://home.treasury.gov/system/files/216/Summary-U.S.-Department-of-the-Treasury-Convening-on-Climate-Focused-Community-Finance.pdf

22 This work is pursuant to EO 14112 on Reforming Federal Funding and Support for Tribal Nations to Better Embrace our Trust Responsibilities and Promote the Next Era of Tribal Self-Determination.

23 For a readout on Treasury's tribal consultations, see: https://home.treasury.gov/news/press-releases/jy1627 For more on Treasury's consultation process, see: https://home.treasury.gov/news/press-releases/jy1129

24 "Comeback Communities" are communities where citywide poverty is at or above 20 percent; there is a history of population decline; and there are 20,000 or more residents with a certain poverty level. These communities may have often been left out or left behind, but they are also places where state and local leaders are committed to ensuring their communities flourish.

Goal 2: Promoting Research and Transparency on the Economic and Financial Impacts of Climate Change

Research plays an important role in guiding climate action and addressing the risks associated with climate change.[25] In particular, the effects of climate change are disproportionately felt by vulnerable communities,[26] and Treasury has an important role to play in helping develop and highlight research that supports policymakers, civil society, and the private sector to better measure, assess, and take action to mitigate these effects. Treasury's role is especially relevant when the effects of climate change intersect with the financial system. It is critical that research efforts regarding climate-related financial risk not only focus on the impact to financial institutions and markets, but also the financial wellbeing of American households, including those most vulnerable to the effects of climate change, such as Tribal communities, communities of color, rural households, and communities harmed by legacy pollution.

The Treasury Federal Insurance Office, Office of Community and Economic Development, the Office of Consumer Policy, and Office of Gulf Coast Restoration are responsible for pursuing and measuring desired objectives for Goal 2 Priority Actions.

Desired Objectives

- Regular analysis and reporting on how climate change affects the finances of American households, particularly those in communities with environmental justice concerns and populations most vulnerable to the impacts of climate change
- Improved data and evaluation to inform policymakers on the federal, state, and local levels on potential ways to address the effects of climate change on American households, including those in communities particularly vulnerable to the impacts of climate change

Priority Actions

A. Analysis of Climate-related Risks in Insurance

While the business of insurance in the United States is primarily regulated by the states, Congress established the Federal Insurance Office (FIO) through the Dodd-Frank Act in 2010 to serve an important monitoring role at the federal level. FIO is the only federal entity with a mandate focused on monitoring all aspects of the nationwide insurance industry.

In March 2024, FIO launched a first-of-its kind collaboration with state insurance regulators and the National Association of Insurance Commissioners (NAIC). The NAIC collected, on behalf of participating state insurance regulators, ZIP code-level data from the largest homeowners insurers, and a subset of this data has been shared with FIO. FIO is using this data to conduct a nationwide assessment of climate-related risks of homeowners insurance across the United States.

FIO's analysis responds to EO 14030 on Climate-related Financial Risk, which called on FIO to "assess, in consultation with States, the potential for major disruptions of private insurance coverage in regions of the country particularly vulnerable to climate change impacts."[27] The data analysis also advances FIO's objectives, including to monitor the extent to which vulnerable communities and consumers, including low- and moderate-income persons have access to affordable insurance products.[28]

25 For the full White House report on environmental justice science, data, and related research plans, see: https://www.whitehouse.gov/wp-content/uploads/2024/07/NSTC-EJ-Research-Plan-July-2024.pdf

26 For more information on the disproportionate impacts felt by vulnerable communities, see: https://www.epa.gov/climateimpacts/climate-change-and-health-socially-vulnerable-people

27 EO 14030, Climate-Related Financial Risk, 86 Fed. Reg. 27967 (May 20, 2021), https://www.federalregister.gov/documents/2021/05/25/2021-11168/climate-related-financial-risk

28 For more information on Treasury's efforts to collect homeowners insurance data, see: https://home.treasury.gov/news/press-releases/jy2162.

FIO's collaboration with the NAIC to collect insurance data follows other climate-related work led by FIO. In June 2023, FIO published a report entitled *Insurance Supervision and Regulation of Climate-Related Risks*.[29] The report makes a number of observations about the intersection of climate change and vulnerable communities. In particular, it notes that market conduct regulation and supervision, which promotes the functioning of insurance markets and seeks to protect policyholders from unfair practices, is an important area to consider the differential impacts on vulnerable communities. The report also recommends that, "The NAIC, state insurance regulators, the insurance industry, FIO, the Financial Literacy and Education Commission (FLEC), and other partners […] should continue encouraging consumers to take advantage of educational and outreach programs in markets vulnerable to climate change, including programs relating to the value of, and opportunities for, pre-disaster mitigation investments in property resilience."

FIO's climate-related work is taking place at a time when the intersection of climate and insurance has never been more relevant to American households, especially those in vulnerable communities. For example, researchers have found that minority communities may have less adequate insurance coverage and experience greater economic loss and lower property valuation recovery after disasters as compared to other population segments.[30] Financial resilience is also lower in underserved communities, exacerbating hardships for already vulnerable populations that may not have access to sufficient financial tools and products when trying to recover from disaster disruption and hardships.[31] In addition, individuals with socio-economic vulnerabilities may live in areas where it is difficult to obtain or maintain insurance coverage.[32]

B. Reporting on Household Financial Impacts of Climate Change

Treasury plays an important role in monitoring the impacts of climate change on vulnerable households and coordinating resources across the federal government. In September 2023, Treasury released a report, titled *The Impact of Climate Change on American Household Finances,* prepared in consultation with other agencies represented on the Financial Literacy and Education Commission (FLEC) .[33]

The report identifies certain populations and places that are at increased risk of financial harm due to their vulnerability and exposure to extreme weather events and conditions. Though many households are impacted by climate hazards, certain households are particularly susceptible to financial strain. For example, outdoor workers may face income loss due to adverse climate conditions, single-parent households may face reduced childcare availability, and lower-income households may face reduced access to credit.

The analysis in the report finds that more than half of U.S. counties—populated by millions of Americans—face heightened future exposure to at least one of the three climate hazards described in the report: flooding, wildfire, or extreme heat. Further, approximately one-fifth of all U.S. counties face both elevated vulnerability and elevated future exposure to these climate hazards.[34]

29 For more information, see FIO's June 2023 report on *Insurance Supervision and Regulation of Climate-Related Risks*: https://home.treasury.gov/system/files/136/FIO-June-2023-Insurance-Supervision-and-Regulation-of-Climate-Related-Risks.pdf.

30 For more information, see: White House Council of Economic Advisors, *Economic Report of the President* (March 2023), Box 9–2, 281, https://whitehouse.gov/wp-content/uploads/2023/03/ERP-2023.pdf; and Samuel Rufat, et al., "Social Vulnerability to Floods: Review of Case Studies and Implications for Measurement," International Journal of Disaster Risk Reduction 14 (4): 470–86 (December 2015), https://doi.org/10.1016/j.ijdrr.2015.09.013.

31 For more on vulnerable communities and disaster insurance, see Carolyn Kousky & Karina French, Inclusive Insurance for Climate-Related Disasters: A Roadmap for the United States (2023): https://www.ceres.org/resources/reports/inclusive-insurance-roadmap

32 For more on making disaster insurance more inclusive, see Karina French, "Economic Resilience to Climate Impacts Requires Making Disaster Insurance More Inclusive in the US," Market Forces (January 24, 2023): https://blogs.edf.org/markets/2023/01/24/economic-resilience-to-climate-impacts-requires-making-disaster-insurance-more-inclusive-in-the-us/

33 For more on the Financial Literacy and Education Commission (FLEC), see: https://home.treasury.gov/policy-issues/consumer-policy/financial-literacy-and-education-commission

34 For more on the findings from FLEC's *The Impact of Climate Change on American Household Finances* report, see: https://home.treasury.gov/news/press-releases/jy1776#:~:text=The%20report%20identifies%20certain%20populations,susceptible%20to%20experiencing%20financial%20strain. For the full report, see: https://home.treasury.gov/system/files/136/Climate_Change_Household_Finances.pdf

The report is a unique resource for policymakers and consumers, providing a framework for evaluating the impacts of climate change on household finances and recommending steps to build capacity to prepare for, respond to, and recover from climate-related shocks and stresses. The report also highlights current initiatives and actions led by agencies represented on the FLEC to support household financial security in the face of climate change. A resource table detailing potential actions and available resources for households, which can be used as a standalone product to inform consumers on how to prepare for climate hazards and locate available federal resources, is included at the end of the report and online at MyMoney.gov.

Treasury's MyMoney.gov raises awareness of the report and the resources delineated in it to relevant stakeholders, and includes a Tribal-specific page.

C. Funding for Climate Research in the Gulf Coast Region

Treasury's Office of Gulf Coast Restoration (OGCR) administers grant programs that are designed to rebuild the economy and ecosystems of the U.S. Gulf Coast. These programs also provide opportunities for research that can help advance environmental justice in a region that is already facing severe impacts from climate change. In particular, the Centers of Excellence (COE) Research Grants Program[35] provides funds to the five Gulf Coast States that in turn award competitive subawards to nongovernmental entities and consortia in the Region, including institutions of higher education. The RESTORE Act provides that research may be conducted with COE funds in five disciplines, three of which are climate-related:

- Sustainability, restoration, and protection of coastal and delta regions
- Coastal fisheries and wildlife ecosystem research and monitoring
- Comprehensive observation, monitoring, and mapping of the Gulf of Mexico

As of spring 2024, over 70 research projects have been funded through the program, many of them with important implications for assessing, mitigating, and managing climate risks across the region's communities. Projects include researching the impact of climate change on Tribal and low-income communities; developing a tool to assist Texas coastal communities, many of which are rural, low-income, and predominantly Hispanic, to plan for resilience in the face of increasingly frequent natural disasters; and analyzing the cost-effectiveness of repurposing decommissioned offshore oil and gas infrastructure to produce and distribute clean hydrogen energy.[36]

Treasury's Office of Gulf Coast Restoration highlights research and promising practices related to environmental justice through its environmental justice and climate change webpages and its webinar series, "Science-Based Solutions for a Changing Gulf."[37]

Metrics and Indicators

Treasury's research aims to provide policymakers, stakeholders, and the public with regular, up-to-date analysis on the economic and financial impacts of climate change. Treasury partners with stakeholders at the federal, state, Tribal, and local levels to collect, analyze, and disseminate important information on a regular basis, particularly with a focus on outreach to vulnerable communities.

35 To learn more about the Centers of Excellence Research Grants Program, see: https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/restore-act/centers-of-excellence-research-grants-program

36 For more information on RESTORE Act programs funding environmental justice work, see: https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/restore-act/restore-act-addresses-the-climate-crisis/restore-act-programs-support-environmental-justice

37 For more information on RESTORE-funded Centers of Excellence and the climate crisis, see: https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/restore-act/restore-act-addresses-the-climate-crisis/treasury-restore-funded-centers-of-excellence-and-the-climate-crisis

To view the webinar series on the Centers of Excellence Research Grants Program, see: https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/restore-act/centers-of-excellence-research-grants-program

Engagement

Treasury engages with a wide range of stakeholders in its research and analysis on the economic and financial impacts of climate change on low-income households and economically distressed communities, including those with environmental justice concerns. For example, in addition to regular meetings with FIO's Federal Advisory Committee on Insurance, FIO also has convened dozens of organizations—from consumer and climate groups to insurance and reinsurance companies—to discuss climate-related financial risks and potential solutions in the insurance sector, including resilience and adaptation measures.

Goal 3: Improving the Environmental Impact of Treasury Operations

Treasury's 2022-2026 Strategic Plan calls for the Department to ensure sustainable operations by improving Treasury's overall environmental and energy sustainability and investing in Treasury Bureaus' adaptation and resilience efforts. It is critical to ensure that Treasury's operations, including real property, procurement, construction, and maintenance, also prioritize actions that uphold environmental justice principles. To achieve this goal, Treasury works to update its operations policies to include environmental justice considerations and improve workforce knowledge of environmental justice.

Treasury's Management Office is responsible for pursuing and measuring desired objectives for Goal 3 Priority Actions.

Desired Objectives

- Integration of environmental justice principles into the policies and directives that affect Treasury's operations
- Expansion of Department-wide awareness and knowledge of environmental justice issues

Priority Actions

A. Integrating Environmental Justice Principles into Treasury Directives and Policies

Since the adoption of Treasury's 2021 Climate Action Plan, Treasury's Bureaus have implemented policies and projects that align with the objectives of EO 14057 on Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability to build the adaptive capacity of our assets and mitigate emissions associated with our operations. For example, the IRS has enrolled several of its facilities in Energy Savings Performance Contracts (ESPCs). Treasury has also established a Sustainability Program Office to coordinate implementation of energy efficiency and resilience efforts across the Department. Treasury has continued to expand upon the work begun in its first Climate Action Plan through the creation and implementation of its second iteration, the 2024-2027 Climate Adaptation Plan.

As Treasury expands climate adaptation, mitigation, and resilience efforts across its operations, environmental justice principles are being integrated into existing policies, planning, and decision-making processes, consistent with Treasury's mission and applicable law. This requires operational coordination across various Treasury components, including Bureau administration, real property, finance, procurement, and data management staff.

Under Treasury's 2024-2027 Climate Adaptation Plan, which outlines resilience strategies to limit the exposure and risk of Treasury's buildings and employees to different climate hazards, Treasury is reviewing and updating relevant directives and policies to evaluate effective and appropriate ways to include environmental justice considerations. Relevant directives and policies that Treasury will review include:

- Treasury's Real Property Directive

- Treasury's Environment, Energy and Sustainability Management Directive
- Treasury's Environment, Health, and Safety (EHS) Review Program
- Department of the Treasury's Acquisition Plan (DTAP)

Treasury's Climate Adaptation Plan was prepared in accordance with guidance for federal climate adaptation planning from the White House Council on Environmental Quality (CEQ). The information presented in the Climate Adaptation Plan aligns with adaptation and resilience requirements in section 211 of EO 14008 on Tackling the Climate Crisis at Home and Abroad, section 5(d) of EO 14030 on Climate-Related Financial Risk, and section 503 of EO 14057 on Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability. Treasury's Climate Adaptation Plan builds on the strong foundation from the 2021 Climate Action Plan, in which Treasury identified five priority climate adaptation action areas: Rebuilding Program Capability, Operations, Real Property, Management of Procurement, and Financial Investments.

Treasury's Sustainability Program Office evaluates potential revisions to policies and programs as necessary and appropriate to ensure environmental justice concerns are considered when constructing, maintaining, leasing, or updating real property. Treasury encourages procurement policies and processes that prioritize supporting disadvantaged communities and that prioritize procurement action and purchase card transactions that meet the criteria for federal greening policy compliance. Treasury reviews procurement requirements for opportunities to leverage strategic sourcing initiatives and Treasury-wide acquisition strategies to support environmental justice. Treasury reviews the final recommendations created by the White House Environmental Justice Advisory Council (WHEJAC) on relevant topics.

B. Expansion of Department-wide Awareness and Knowledge of Environmental Justice Issues Related to Treasury's Programs, Policies, and Activities

Treasury recognizes the importance of fostering a well-versed and educated workforce that centers awareness about and knowledge of environmental justice in their work. Treasury has assembled a Climate Literacy Working Group (CLWG) with team members from throughout the Bureaus and Departmental Offices to develop trainings and educational products for employees to learn about the climate crisis and its impacts. During Treasury's inaugural Earth Week celebration in April 2024, Treasury hosted several events about environmental justice and Indigenous Knowledge, including hosting the Federal Chief Environmental Justice Officer. Treasury's CLWG has also developed a Climate Action and Sustainability webpage containing resources for Treasury employees to learn about environmental justice through the IRS and Main Treasury internal sites. Treasury organizes a monthly Climate Literacy Webinar Series for all employees hosted by different subject-matter experts on a variety of different climate-related topics. To date, all webinars have highlighted the importance of environmental justice and the benefits of a just transition, and future webinars will continue to do so.

To embed environmental justice considerations into operational decision-making processes, the Sustainability Program Office works with the Treasury Operations Environmental Council (TOEC) to develop fact sheets on environmental justice for the Department.

Metrics and Indicators

The four relevant directives and policies referenced in Part A of the Priority Actions section, and other policies as identified, are reviewed and updated with input from Treasury's Bureaus and appropriate program offices. Treasury utilizes an environmental justice lens to continue to ensure the goals of the 2021 Climate Action Plan and the [2024-2027 Climate Adaptation Plan] are met.

In FY24, Treasury's Sustainability Program Office and Treasury's Climate Literacy Working Group (CLWG) has organized several opportunities for employees to learn about environmental justice and the climate crisis. Hundreds of employees registered for each of the first three webinars in the monthly webinar series and Earth Week events. Monthly webinars and additional training to educate Treasury's workforce about vulnerabilities created by climate change are being developed and implemented by the CLWG with Treasury executive guidance.

Engagement

Treasury's Sustainability Program Office continues to collaborate with the Climate Literacy Working Group in organizing opportunities for Treasury's workforce to learn about environmental justice and how it relates to their work. Treasury seeks to expand collaboration and knowledge-sharing with other federal agencies to efficiently focus Department resources and technical assistance as Treasury continues to identify and address environmental justice considerations and responsibilities. Collaboration and engagement between offices and programs are prioritized in order to review and update policies and directives, as appropriate.

V. Conclusion

Treasury's work over the past four years has been focused on driving a historic economic recovery and spurring inclusive and sustainable economic growth over the long term. As part of these efforts, Treasury has recognized the need for an approach that simultaneously tackles the climate challenge and reaches those who have been underserved.

Treasury has executed on this approach, starting with the Inflation Reduction Act—the nation's most significant climate investment in history. In implementing it, Treasury has been committed to reaching those who historically have not benefitted from adequate investment. Treasury's actions to advance environmental justice also include support to Community Development Financial Institutions; programs focused on the U.S. Gulf Coast; research; and review of our own internal Treasury operations and planning processes.

Ultimately, advancing environmental justice is integral to Treasury's overall mission of maintaining a strong economy by promoting conditions that enable strong, inclusive, and sustainable economic growth at home and abroad. As the nation fortifies and expands its infrastructure, develops resilient supply chains, and produces record levels of clean energy, significant new opportunities become available for workers, small businesses, and communities. Advancing our climate goals while fueling our country's growth will help us achieve shared prosperity for all.