

Dear Administrator Regan:

The Environmental Financial Advisory Board (EFAB) is pleased to submit to EPA, the following recommendations and considerations pertaining to the *Investment Tax Incentive for Water Reuse Infrastructure*, developed by EPA EFAB's Water Reuse Workgroup. This charge was undertaken to respond to the Joint Explanatory Statement accompanying the Consolidated Appropriations Act, 2023, which included the following statement:

*Given widescale deployment of private water reuse infrastructure at industrial facilities can be expensive for public utilities and local governments, the Committee directs the Agency, in coordination with the Water Reuse Interagency Working Group, to undertake a study on the public benefit of a potential federal investment tax credit to support private investment in water reuse and recycling systems. The Committee expects the Agency to report to the Committee within 180 days of enactment of this Act on planned actions to carry out this study.*

The primary focus of the EFAB workgroup was on evaluating the "public benefit" of a potential investment tax credit for privately owned industrial facilities, and specifically, how best to measure and quantify potential public benefits of an industrial reuse investment tax credit. Detailed metrics are part of the recommendation and included in the attached presentation.

#### Water Reuse Workgroup Charge Approach

After approval of the charge at the EPA EFAB October 23, 2023, Board Meeting, we held a Listening Session on May 21, 2024. The Framing Document, Listening Session Summary and Public Comments are documented on the EPA site:

<https://www.epa.gov/waterfinancecenter/environmental-financial-advisory-board-efab-listening-session-materials-may-21>

The Workgroup met regularly through 2024 to review relevant research, develop questions for the Listening Session, and write recommendations in the form of the attached presentation given at the October 15, 2024, EPA EFAB Board Meeting. The presentation includes more information and context on the recommendations summarized below along with an Appendix which provides additional detail on the Charge questions from our research, Listening Session, and written comments.

#### Recommendations for determining public benefit of an investment tax credit:

1. To measure and quantify the public benefits of reuse, use an economic framework, such as An Economic Framework for Evaluating the Benefits and Costs of Water Reuse, WaterReuse Research Foundation Project #1587, combined with metrics to calculate the public benefits of industrial reuse:
  - The Water Reuse economic framework defines broad benefit and cost categories that apply to water reuse: direct and indirect financials, environmental, recreation, public health, economic, social and equity.
  - The Water Reuse economic framework incorporates quantitative and qualitative measures to address the substantial environmental and social impacts of reuse.

2. Consider the various stakeholders and perspectives when determining the metrics for measurement of public benefits, e.g., benefits to the utility and industry, community, and environment.
3. Water quantity and quality benefits should be measured, and we included metrics for those in the attached presentation. In addition, benefits to the public at large should be considered and can be more qualitative if needed, e.g., resiliency during natural disasters, reducing security threats, increased recreational opportunities, increasing economic development, addressing environmental justice and equity concerns.
4. Refresh the 2006 WaterReuse Research Foundation Project #1587, [An Economic Framework for Evaluating the Benefits and Costs of Water Reuse](#), to incorporate the following:
  - Empirical investigations into the value of reliability that reuse provides;
  - Case studies that provide a robust and focused opportunity to thoroughly investigate the types and magnitudes of benefits and costs associated with actual past or anticipated water reuse projects, e.g., inclusion of wastewater recycling; and
  - Investigations of what happens if reuse is not available in several typical community water supply situations.

Considerations for development of investment tax credit:

- Aim incentives to attract a diverse range of participants including large scale commercial users, e.g., stadiums, ballparks, and resorts.
- Tailor incentives to the challenge(s) being addressed by reuse, e.g., water scarcity versus water quality concerns.
- The drivers for recycled water are different from onsite reuse, so the incentives need to be different.
- The additional time it takes for permitting, complex local rules and a longer investment horizon are gaps to overcome with the credit.
- Tax incentives can support both centralized and decentralized reuse approaches, benefitting customers who pay for multiple water-related services.
- Consider the unique economic benefits and costs that Municipal reuse providers could face if an industrial tax incentive is provided.
- From the EPA EFAB listening session, we documented a variety of externalities and unintended consequences from industry and utilities, along with research that could potentially mitigate concerns.

We hope the recommendations are helpful to EPA and we look forward to your report to Congress on this important matter. The attached presentation incorporated by reference, comprises the full scope of our work. We thank you for the opportunity to be of service to the Water Reuse Interagency Working Group within EPA.