

Ten Common Misconceptions About DOE Energy Dominance Financing

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For nearly two decades, the Department of Energy's Energy Dominance Financing Office, or EDF (previously the Loan Programs Office), has served as the federal government's premier project finance organization for deploying innovative energy and industrial technologies. More than simply another government funding program, EDF pioneered the use of sophisticated project finance techniques to bridge the gap between emerging technologies and commercial-scale deployment.

Despite EDF's long history, many companies continue to misunderstand how it operates. Much of this confusion stems from the fact that executives often approach the program through the lens of prior experience pursuing federal grants, rather than project financing. EDF is fundamentally different — it is a commercial lending program, not a grant program — and many assumptions that apply to traditional federal assistance simply do not apply here.

To help companies overcome these obstacles and to clarify how best to approach the DOE EDF, we have identified and explain 10 common misconceptions about EDF that many companies continue to hold.

1. “The program is limited to renewable energy.”

While the program historically focused on renewable energy deployment, its scope has expanded significantly, most recently under the One Big Beautiful Bill Act. EDF now supports a wide range of sectors, including advanced manufacturing, transportation, critical minerals, and broader energy infrastructure, reflecting evolving statutory authorities and policy priorities. While this categorical expansion provides greater opportunities, the program does still have goals and requirements that ultimately impact which projects get funded.

2. “Only large corporations can qualify.”

EDF evaluates project fundamentals — including technical readiness, project economics, management capability, and repayment prospects — rather than applicant company size. Venture-backed and growth-stage companies have successfully participated, although smaller firms often benefit from partners to provide operational or credit support and experienced advisors and strategic partners to navigate the process effectively.

3. “The government finances the company.”

EDF financing is typically project-based rather than unrestricted corporate capital. Successful applications generally include clearly defined project structures, revenue models, offtake arrangements, and appropriate credit support. While corporate-level financing is possible, it is less common and typically requires stronger balance sheet support and guarantees.

Independent of loan structuring, the program is statutorily required to demonstrate a “reasonable prospect of repayment,” often interpreted through financing standards broadly consistent with investment-grade credit characteristics, although each project is evaluated individually.

4. “It’s similar to applying for a grant.”

The financing process differs significantly from grant programs, partially because loans need to be paid back and grants do not. Beyond that, timelines for grants are usually built around a specific submission date and communication is restricted once a notice is made public. In contrast, EDF operates on a rolling, engagement-driven model in which early dialogue with the agency is encouraged. Applications proceed in stages, beginning with a Part I submission assessing eligibility and project readiness to proceed further,

followed by a more detailed Part II application that provides the basis for financing.

The full process involves ongoing interaction, iterative feedback, and extensive due diligence throughout the life of the application.

5. “All financing and agreements must already be in place.”

While a well-defined project is expected, EDF may allow companies to address a limited number of key development milestones during due diligence, though this will impact overall approval timelines. This may include completion of detailed engineering studies, finalization of bankable contractual frameworks, and sales and off-take agreements.

Companies have raised private project equity in parallel with the application process. Key approval milestones — such as a conditional commitment — often serve as powerful catalysts for additional private investment by signaling that a project has successfully completed substantial technical, commercial, legal, and financial review. While companies may continue raising equity during the application process, projects that enter EDF with fully committed sponsor equity are generally viewed more favorably because they reduce financing execution risk.

6. “Federal financing is easy and inexpensive.”

Although federal financing can offer attractive terms, it comes with significant diligence, transaction costs, and compliance obligations, as well as their attendant extended time periods for execution. Applicants should anticipate substantial third-party advisory costs — often ranging from \$1.5 million to \$3 million or more — as well as ongoing reporting requirements.

7. “Technology must already be fully commercialized.”

Though the program has broadened recently to finance mature technologies, EDF was specifically designed to support first-of-a-kind commercial deployment of advanced energy technologies. Although EDF’s mandate has expanded, Congress continues to recognize the importance of supporting first-of-a-kind commercial deployments where conventional financing remains limited, including small modular nuclear and geothermal. In these cases, applicants must demonstrate sufficient technical validation, typically including significant pilot-scale operation and performance data. Technologies do not need widespread commercial deployment, however. Technologies that have been deployed outside the US but have been deployed less than three times in the US may still qualify as innovative.

8. “Federal financing removes project risk.”

The government acts as a risk-sharing partner, not a risk absorber of last resort. Projects must still demonstrate strong fundamentals, and statutory constraints — such as leverage limits and repayment requirements — continue to apply. While the DOE may be willing to underwrite technical and certain non-technical risks that the commercial market would not, it will do so in a measured fashion, imposing considered protections in other areas to mitigate the risks taken.

Risk allocation remains a central component of transaction structuring, and projects with greater commercial, market, or execution risk should expect corresponding requirements for additional equity, guarantees, or other forms of sponsor support.

9. “The program operates on rigid formulas.”

While statutory and credit standards are critical, EDF retains meaningful structuring flexibility. Each transaction is evaluated on a case-by-case basis, with the ability to tailor project ownership structures, repayment profiles, and other terms.

Conventional underwriting standards remain important, but they are balanced with broader policy objectives that recognize the unique challenges associated with deploying innovative technologies and achieving specific policy goals. While overall a positive, this flexibility is a source for extended project timelines needed to work out critical terms.

10. “Political support guarantees approval.”

EDF ultimately makes financing decisions that are grounded in statutory eligibility, technical readiness, repayment prospects, and other project fundamentals, all of which are heavily evaluated by experienced program staff. Strong relationships with agency leadership can be helpful to highlight how a project supports broader policy goals. However, projects with weak economics, insufficient preparation, or unresolved execution risks will not become financeable simply because they have political support.

Bonus. “Submitting the application is the hardest part.”

Overall, assembling an initial application requires significant resources. However, it is only the beginning of a process that can extend for 12 months or more, including due diligence, underwriting, environmental review, financial structuring, and negotiations. Many applicants significantly underestimate the management resources and attention required for both the application and full approval timeline. Some of the requirements can be consistent with any financing, while others are unique to EDF or to working within a sometimes complex policy or programmatic environment. In either case, they can add a significant strain to the existing requirements of running a business.

How ML Strategies Can Help

ML Strategies can provide both strategic advisement and hands-on resources to efficiently navigate the EDF or other federal loan program application process, based on firsthand experience.

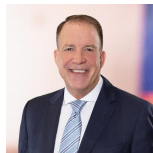
ML Strategies works with clients to:

- Evaluate and prioritize EDF versus potentially other federal financing opportunities across agencies
- Align projects with policy objectives and eligibility criteria
- Structure engagement strategies with federal stakeholders
- Coordinate interactions with key program staff
- Prepare for extensive diligence, underwriting, and compliance processes
- Support management teams and investors throughout the financing life cycle

ML Strategies' support can be structured alongside engagement with our colleagues at Mintz, our parent law firm, who have comprehensive experience in both corporate and project financing.

In summary, EDF financing can be a critical tool for companies to accelerate commercialization and deployment, attract private investment, and scale high-impact projects in the United States and globally. It should not be considered particularly easy or “free money,” however. Those who approach it as a sophisticated project finance transaction — with realistic expectations, experienced advisors, and a well-developed project — are far more likely to reach a successful closing.

Authors



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John Lushetsky draws on over 30 years of experience in government and industry to help clients identify strategic opportunities, secure federal funding, and position innovative technologies for success within evolving energy and infrastructure policy landscapes. He has successfully helped clients navigate complex issues through a variety of federal agencies.