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ALERTS

U.S. To Invest $15.5 Billion More In Clean Energy Infrastructure To Support Transition To Electric Vehicles

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Highlights

• On Aug. 31, the Biden administration announced $15.5 billion in new funding to convert and retrofit American auto manufacturing plants to produce electric vehicles and to bolster domestic battery supplies

• In addition to financial support, these programs are focused on retaining, growing and training the auto industry workforce to meet the growing demand for electric vehicles

• While the EU is pressing forward with its own programs to support development of clean energy technology products and retain and retool its members' workforces, EU concerns that U.S. funding initiatives will lead to trade distortions are likely to be exacerbated by this new electric vehicle funding package

On Aug. 31, just in time to usher in the Labor Day holiday weekend, the Biden Administration announced a new $15.5 billion investment to "support a strong and just transition to electric vehicles, retooling existing plants, and rehiring existing workers."

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These investments are part of the administration's Investing in America agenda and are being made in furtherance of an August 2021 executive order setting a target that half of all new vehicle sales by 2030 will be zero-emissions vehicles, and that net-zero electricity will be achieved by 2035 and a net-zero economy by 2050.

This funding will build on America's electric vehicle manufacturing boom that has been fueled by the $7.5 billion provided by the Bipartisan Infrastructure Law (BIL) to deploy a national network of 500,000 electric vehicle chargers; more than $7 billion to ensure domestic manufacturers have the critical minerals and other components necessary to make electric vehicle batteries; and $10 billion for clean transit and school buses.

This investment of an additional $15.5 billion in clean energy infrastructure comes on the heels of the launch of three competitions for $27 billion in Greenhouse Gas Reduction Fund grants, and the course correction and doubling down on the U.S. $8 billion investment in clean hydrogen, both of which were announced by the administration this past June.

This $15.5 billion package is comprised of the following three tranches of clean energy infrastructure funding that will be administered by the Department of Energy (DOE).

$2 Billion to Convert and Retrofit America's Manufacturing Plants

The DOE's Domestic Manufacturing Conversion Grants program for electrified vehicles will provide up to $2 billion in cost-shared grants with funds authorized by section 50143 of the Inflation Reduction Act of 2022 (IRA). According to the Aug. 31 Funding Opportunity Announcement (FOA) from the DOE's Office of Manufacturing and Energy Supply Chains (MESC), priority will be given to entities that will convert, expand, or retool manufacturing facilities supporting the domestic production of efficient hybrid, plug-in electric hybrid, plug-in electric drive, and hydrogen fuel cell electric vehicles, while remaining in the same area as an existing production facility or a facility that has recently ceased operations.

As Energy Secretary Jennifer Granholm explained, "While we transition to EVs, we want to ensure that workers can transition in place, that there is no worker, no community left behind."

The DOE is encouraging eligible entities to team up on a single application to 1) ease administrative burdens associated with managing a federal grant, 2) maximize the scope, reach, and level of ambition for the proposed projects and programs, and 3) encourage the sharing of capacity, knowledge, expertise, lessons learned and best practices across jurisdictions. Applicants are to submit concept papers by Oct. 2, 2023. The deadline for applications is Dec. 27, 2023 and the DOE is planning to issue grant award notifications in spring 2024.

$10 Billion in Loan Authority for Automotive Manufacturing Conversion Projects

Automotive manufacturing conversion projects that will retain high-quality automotive sector jobs in communities that currently host manufacturing facilities will also be eligible for up to $10 billion in loan authority available under the DOE's Advance Technology Vehicles Manufacturing (ATVM) Loan Program, which was authorized by the Energy Independence and Security Act of 2007.

Factors that will be considered favorably for these ATVM loans include "retaining high wages and benefits, including workplace rights, or commitments such as keeping the existing facility open until a new facility is complete, in the case of facility replacement projects," according to the DOE. These loans will be administered by its Loan Program Office.

$3.5 Billion to Bolster American Battery Manufacturing and Strengthen Domestic Supply Chains

Also on Aug. 31, MESC issued a Notice of Intent to issue an FOA entitled "Bipartisan Infrastructure Law 40207(b) Battery Materials Processing and 40207(c) Battery Manufacturing Grants Round II" to invest an additional $3.5 billion in the batteries supply chain through fiscal year 2026. This second round of funding for battery materials processing and manufacturing grants is intended to support creation of new, retrofitted, and expanded domestic commercial facilities for battery materials, battery components, and cell manufacturing, and to support manufacturing workers and promote equity and environmental justice.

It will also further the goals and targets of the National Blueprint for Lithium Batteries, which provides a path to building a strong domestic battery supply chain and a strong domestic industrial base by 2030.

Priority will be given to battery projects that are likely to retain collective bargaining agreements or those that have an existing "high-quality, high-wage" hourly production workforce. The agency estimates that it will make up to 41 grant awards ranging from $50 million to $300 million. MESC plans to issue the FOA in October 2023 via the Infrastructure Exchange.

Projects chosen for all three funding initiatives are also expected to contribute to the administration's Justice40 Initiative goal of "40 percent of the overall benefits of certain Federal investments flow to disadvantaged communities that are marginalized, underserved, and overburdened by pollution."

Even though Europe has had a number of years' head start taking on climate change and clean energy development, the massive incentives authorized by the BIL, and even more so by the IRA, have changed the rules of the game. The substantial subsidies, low-cost borrowing, and tax benefits those acts offer have already radically changed the landscape for international financing of clean energy initiatives. This, in turn, has stoked EU concerns that a growing number of EU companies may move to and invest in the U.S. and that there may be a drop in EU exports of clean technology products.

While the EU has pushed back hard with the European Green Deal, Net-Zero Industry Act, and European Hydrogen Bank to support development of clean energy technology products and retain and retool its members' workforces, the growing EU concerns about potential trade distortions are likely to be further exacerbated as this most recent $15.5 billion electric vehicle funding package rolls out.

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