

Batteries could jolt Michigan awake

Battery projects coming to state

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LANSING, Mich. (AP) - The fierce competition for advanced battery projects is sparking a new round of tax incentives in Michigan, which hopes the tax breaks for makers of electric and hybrid vehicle batteries will give Michigan a leg up on other states.

The tax credits, which were awarded Tuesday, are designed to bolster the case for why companies locating in Michigan should win a bigger share of \$2 billion in federal stimulus money for energy projects than businesses in other states.

Applications are due at the U.S. Department of Energy by May 19, and competition for the grants is ramping up, one reason Michigan recently pushed through its battery tax credits.

"No other state has legislation like we do," said Eric Shreffler, who works on developing new markets at the Michigan Economic Development Corp.

Gov. Jennifer Granholm last week signed the tax incentives into law, piggybacking on a law enacted in January. The measure creates two additional tax credits for building integrated battery cell manufacturing plants in the state.

The Michigan Economic Growth Authority on Tuesday awarded three credits that battery manufacturers will tap for up to \$25 million a year over four years, or \$300 million altogether. To get the credit, a battery company must open a plant and create at least 300 new jobs in the state.

MEGA also approved a fourth project contingent on another \$100 million credit winning legislative approval by May 30.

"Instead of being perceived as the Rust Belt, Michigan intends to lead the nation to energy independence," Granholm said Tuesday at the MEGA meeting.

Michigan is offering other tax breaks worth up to \$225 million in coming years to help make it the center of research and manufacturing for batteries used in hybrid and electric vehicles.

The United States currently has no large-scale production plant for the lithium-ion battery, the power source General Motors Corp. expects to use in its plug-in hybrid, the Chevrolet Volt, scheduled to be rolled out in 2010. Most battery technology is being developed in Asia.

Lawmakers expect the U.S. battery market to reach \$18 billion a year by 2020 and think three cell manufacturers could create nearly 40,000 Michigan jobs by then.

Michigan is in desperate need of new jobs because the ailing auto industry has shed hundreds of thousands of jobs in the state in the past eight years and continues to lay off workers. Creating jobs in battery technology is seen as a way to tap into a part of the industry that still shows promise.

"We are helping to secure our state's future in automotive manufacturing," said state Sen. John Pappageorge, R-Troy.

MEGA approved tax credits for:

- Milwaukee, Wis.-based Johnson Controls - Saft Advanced Power Solutions , a joint venture between Johnson Controls and French battery producer Saft, which plans to open a plant in Holland. It has partnered with Ford Motor Co.
- A123Systems Inc . of Watertown, Mass., which plans to open a plant in Livonia. Chrysler LLC has picked A123Systems to supply batteries for the automaker's first-generation electric cars scheduled to go on sale next year.
- KD Advanced Battery Group, a joint venture involving Dow Chemical Co., Kokam America Inc. and Townsend Ventures, which expects to build a plant.
- Korean-based LG Chem-Compact Power, which plans a project if lawmakers pass an additional tax credit. GM has partnered with LG Chem-Compact Power to build batteries for the Volt.

Pappageorge said Tennessee, California and New York also may be aggressively seeking the stimulus money by attracting companies with tax breaks.

And Kentucky on Monday beat out seven other states competing for a plant planned by a group of U.S. technology companies allied with a national laboratory. Whether the

project goes forward depends on the state winning a share of the federal stimulus dollars.

Kentucky and its two largest state universities also are teaming up with Argonne National Laboratory in suburban Chicago to set up a national battery research and development center.

Shreffler said Michigan's economic development staff decided against trying to attract or bring together a consortium of companies. Instead, it sought partnerships with individual companies that are global leaders in the field.

The state already has used tax credits to lure the film industry to Michigan .

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