

**Testimony of Douglas Parks**  
**Senior Vice President Business Development & Attraction**  
**Michigan Economic Development Corporation**

**Senate Committee on Finance**  
**Subcommittee on Energy, Natural Resources, and Infrastructure**

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Good afternoon Chairman Bingaman, Ranking Member Bunning, and members of the Subcommittee. My name is Doug Parks, and I am the Senior Vice President of Business Development and Attraction at the Michigan Economic Development Corporation (MEDC). On behalf of a cabinet-level agency of the State of Michigan, I am pleased to present testimony on behalf of the MEDC and the administration of Governor Jennifer M. Granholm regarding the critical role tax incentives play in attracting and retaining advanced energy manufacturing facilities and jobs.

I would also like to express my gratitude to Senator Stabenow, whose leadership on energy issues and attention to manufacturing have been extremely important for the State as we seek to diversify our economy. Her leadership on the Advanced Manufacturing Tax Credit, the Advanced Technology Vehicles Manufacturing Incentive Program (ATVM), and worker training for green jobs has been a vital part of our diversification strategy. These, along with other tax credits she has championed, help manufacturers, researchers and consumers adapt and innovate through clean energy technologies.

Clean energy tax policies play a crucial role in creating new high-wage American jobs, spurring economic growth, promoting consumer purchases of energy efficient products, lowering energy bills for consumers and businesses, and improving the environment. These tax policies can also help the U.S. recover lost ground against other countries in the development and deployment of clean energy technologies.

As one of the most influential committees in Congress, the Senate Finance Committee is well positioned to accelerate these innovations by creating and expanding tax and other policy incentives that support state and local economic development, particularly by reducing the risk to innovators and entrepreneurs working to unlock the full potential of emerging clean energy technologies. My role at the MEDC is to help companies unlock their intellectual property and put it to work to create jobs and develop manufacturing supply chains in every renewable energy sector where Michigan can effectively compete.

It is vital that Congress continues creating incentives for American clean energy investments. Michigan and the rest of the United States are clearly engaged in a global clean energy competition, and the future of our industrial base will be greatly shaped by how the United States competes – state by state and region by region – in both the private and public sectors. A recent Pew Charitable Trusts report<sup>1</sup> noted that China outspent the United States in clean energy investments by almost two to one in 2009, \$34.6 billion to \$18.6 billion, and other nations in Europe and Asia are rapidly developing and deploying advanced clean energy technologies and markets. Fortunately, as evidenced last week by the introduction of major climate and energy legislation in the Senate, it is clear that our leaders in government and industry understand the fundamental challenges and opportunities of clean energy technology, and are pledging further actions and investments to strengthen American competitiveness.

In the midst of one of the worst global economic downturns in history, Michigan's decade-long economic struggle, much of it tied to our automotive sector, is well known to this committee. The immense level of job loss, almost 1 million jobs since 2000 in a state with approximately 10 million people, was severe not only in its immediate impact but also in the reality that many of those lost jobs are not coming back.

A clear path for Michigan's economic recovery lies in our historic manufacturing strength. A key question that our State's leadership has faced is how to best leverage our existing assets for future job growth. Clean manufacturing presents a clear opportunity to redeploy those assets.

Michigan's investments to leverage new and expanded federal clean energy programs are designed to accelerate this job growth. According to the Pew report, Michigan ranked in the top 10 of all states in the number of clean energy jobs, businesses and patents in 2007. And while the State suffered significant overall job loss between 1998 and 2007, it was one of only seven states with total negative jobs numbers that actually gained clean energy jobs during that period.

In 2006, Governor Granholm directed the MEDC to focus our economic development efforts on opportunities for diversification by leveraging the state's competitive advantages – natural resources, workforce, rich engineering and manufacturing heritage – into new industries with the potential for significant economic growth. Our intense review of research and best practices across the globe led us to focus on four targeted clean energy sectors: advanced energy storage, solar energy manufacturing, wind energy manufacturing, and bio-energy.

We developed teams around these targeted sectors – comprised of Ph.D.-level technology experts, industry experts, engineers, MBAs, and economic developers – to guide state strategy in these areas. We also forged partnerships with national laboratories, including Oak Ridge National Laboratory and the US Army Tank-Automotive Research Development and Engineering Center (TARDEC), to assist us in vetting projects.

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<sup>1</sup> Who's Winning the Clean Energy Race?, Pew Charitable Trust, March 25, 2010

Finally, we developed a unique toolbox of state incentives to help grow these industries, including:

- \$1 billion in refundable tax credits for advanced energy storage projects;
- \$75 million in refundable tax credits for photovoltaic manufacturing opportunities; and
- \$75 million in grants for the Centers of Energy Excellence program, which matches federal funds to promote clean energy technology commercialization partnerships between industry, government and academia.

As of this year, Michigan has become the home of more than 109,000 green jobs. The State's efforts in the past few years to diversify Michigan's clean energy economy into four specific sectors are projected to create another 80,000 additional jobs in coming years, in large part through our concerted efforts to work with the private sector using well-crafted state incentives.

Federal incentives have played a vital role in our state's diversification strategy. Michigan's premier example is our successful strategy to leverage federal funds to build a new domestic industry within the State, an effort that required extensive ingenuity and collaboration among many leaders. We relied upon Senator Levin and Senator Stabenow to advance the \$2.4 billion Electric Drive Battery and Component Manufacturing Initiative as part of the Recovery Act. Our leadership in Michigan worked closely with our Senators and Congressional Delegation to ensure that state resources were ready to match federal efforts.

Passed with overwhelming bipartisan support, the Michigan Advanced Battery Credit Program, successfully secured total investment commitments in excess of \$5 billion in battery-related projects. Our battery credits provided aggressive, industry-targeted state incentives to leverage advanced vehicle research, development, engineering and manufacturing. After comprehensive technical reviews, the MEDC awarded \$600 million in refundable tax credits for cell manufacturers, plus another \$400 million in related refundable tax credits. These grant awards provided a critical competitive advantage to our private sector partners, who subsequently won more than \$1.3 billion in federal recovery grants, making the birth of this new industry possible.

The 48C Advanced Clean Energy Manufacturing Tax Credit has been an effective tool in spurring economic development in Michigan. As you know, the President announced the award of \$2.3 billion in 48C credits for 183 clean energy manufacturing projects earlier this year. Twelve Michigan companies received \$242 million worth (over 10 percent) of these credits for a variety of projects, including the production of poly-crystalline silicon as a component of solar panels, the manufacture of a component for lithium-ion battery thermal management systems, and the production of blades for wind turbines.

The MEDC has worked closely with many of the 48C recipients to leverage federal funds in other parts of the clean energy arena. In addition to financial incentives, we have helped these companies develop relationships and partnerships throughout the supply chain to strengthen their commercialization efforts.

For example, the MEDC assisted Energetx, a spin-out company of composites manufacturer and boat builder, S2 Yachts, in applying its composites expertise to the production of wind turbine blades.

S2 Yachts is a third generation, family-owned business located in Holland, Michigan. Four years ago, its business was around \$150 million in annual sales, building 400 boats per year and employing 800 people. Its business was adversely impacted by the economic downturn, resulting in significantly lower boat production and layoffs that impacted over one-half of its work force. While many in the marine industry were forced out of business, S2 Yachts is weathering the storm, in part by manufacturing fiberglass composite products for use in renewable energy markets. As a result, Energetx received a 48C credit of almost \$2 million.

Owing to its 48C award, Energetx received an additional \$7 million in grants from two Michigan programs. They forged partnerships with companies that include Aeroblade and The Dow Chemical Company, are working with national laboratories including Oak Ridge National Laboratory and the National Renewable Energy Laboratory, and are hiring engineering interns from the University of Michigan and Kettering University.

Michigan appreciates your leadership, Mr. Chairman, together with Senator Stabenow, Senator Lugar and Senator Hatch, in first proposing to extend and expand the Manufacturing Tax Credit through the introduction of S. 2857, the American Clean Technology Manufacturing Leadership Act. We also support the President's call to commit \$5 billion more for the 48C program, as included in S. 3324, the Security in Energy and Manufacturing (SEAM) Act of 2010. This bill, which was introduced earlier this month and referred to this Committee, would extend the manufacturing tax credit by two years, provide \$5 billion in 48C credits, place more emphasis on manufacturing than on the assembly of goods, and would also allow for direct grant payments in lieu of qualifying advanced energy project credits.

As a state that is working aggressively with our manufacturing partners to leverage federal clean energy incentives, the MEDC believes Congress should give strong consideration to expanding the statutory review criteria to benefit projects that can demonstrate strong financial capacity through the commitment of state financial incentives.

As this Subcommittee knows, the 48C program was oversubscribed by a ratio of three to one. Providing more investment will keep the manufacture of these critical technologies, the research and development, and the hundreds of thousands of jobs at home. As this Committee has discussed in the past, government incentives and tax credits for renewable energy technologies prior to the 48C program were concentrated at the commercial and individual consumer level, failing to create sustained industry growth. We believe the early success of the 48C program, coupled with the abundance of worthy unfunded proposals, justifies swift enactment of additional authority to stimulate more American manufacturing ingenuity.

Thank you, Mr. Chairman, for the opportunity to present Michigan's views. I would be pleased to take any questions from you or other members of the Subcommittee.