THIRD WAY

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Appealing to Battleground States with Policies for Clean Manufacturing and Industry

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With the 2020 Presidential election less than seven months away, it is critical for the presumptive Democratic nominee, Joe Biden, to focus on winning the battleground states of Michigan, Wisconsin, Pennsylvania, North Carolina, Arizona, and Florida. Here we've developed six smart policies to address hard-to-tackle emissions in the industrial sector, while supporting US manufacturers. At Third Way, we know that a thriving clean industrial sector is a win for climate and a win for the economies of battleground states.

Boost American manufacturing through a federal Buy Clean, Buy America standard.

Purpose: To ensure that the billions of taxpayer dollars used for infrastructure projects and other government contracts [1] are fairly supporting American clean manufacturers who are reducing emissions and creating well-paying, union jobs in the clean manufacturing sector.

- **Specifics:** Manufacturers of cement, steel, glass, asphalt, and other products used to create roads, bridges, water pipes, schools, etc., will submit an environmental product declaration that details the carbon emissions of their product. Government contracts will be awarded to American manufacturers who meet certain emissions reductions thresholds. Twenty-five percent of government contracts should be awarded to women and minority-owned businesses.

- **Political Supporters:** Some variation of this concept was promoted by all Democratic presidential candidates except Sanders, Yang, and Biden. [2] Important to reference Elizabeth Warren's Green Manufacturing Plan. [3] Senate promoters include: Bennet, Smith, Klobuchar, Merkley. [4]

- **Key Stakeholders:** Unions, clean domestic steel makers, manufacturers of other projects, state governments. [5]

- **Importance for MI, WI, PA, NC, AZ, FL:** Manufacturing employs over 10% of the workforce of MI, WI, and NC and 9.5% of the workforce in PA. Manufacturing is growing in FL.

- **Campaign messaging:** Focus on the words "clean, American manufacturing that will create homegrown jobs to revitalize our infrastructure."

- **Benefits:** Will not have to defend a price tag. Everybody in the country understands the need to repair our crumbling infrastructure. This is about being smarter with taxpayer dollars and solving two problems at once: crumbling infrastructure and the climate crisis. A Buy Clean program is a potential huge market demand creator that could create real economic opportunity for rust belt states while also producing a climate win. Two of the most influential organizations in the labor and environmental communities (United Steelworkers and Sierra Club) supported California's Buy Clean and are in discussions on a national version of the policy.

- **Challenges:** The policy is not well known among Members of Congress or the general public. Unclear how much bipartisan support it will receive.

Make the United States the global leader in electric vehicle and clean energy parts manufacturing.

Purpose: To make the U.S. the leader in global EV manufacturing both for the domestic market and to give the U.S. the largest export share. This manufacturing sector will create well paying, union jobs in both EV and EV supply chain manufacturing.

- **Specifics:** Increase funding for the Advanced Technology Vehicles Manufacturing (ATVM) Loan Program [6] and make medium and heavy-duty truck manufacturers eligible for the loans. The ATVM program offers technology transition loans for retooling existing automobile and powertrain assembly lines. Increasing and expanding the program is critical to making the U.S. the largest domestic manufacturer of electric vehicles (including trucks) and EV components (innovative materials, batteries, and electric propulsion technologies) which are often made in other countries.

- **Political supporters:** Inslee, Buttigieg, Warren, and Harris are supportive of a thriving EV manufacturing sector. Currently not promoted by Biden. NOTE: Mayor Buttigieg was the most outspoken advocate for this policy. Senator Harris espoused very strongly the domestic manufacture of electric buses. (Businesses in CA largely manufacture these buses.)

- **Key stakeholders:** Unions, manufacturers, Ford, GM.

- **Importance for MI, WI, PA, NC, AZ, FL:** MI is the leader in domestic automobile production employing 184,000 people in the direct manufacture of motor vehicles. [7] North Carolina, Wisconsin, and Florida employ 28,000, 19,000, and 18,000 respectively in direct manufacturing of vehicles or component parts. In addition, manufacturing has already been identified to be a critical issue for Pennsylvanians. [8]

- **Campaign messaging:** American manufacturers are going to lead the global clean economy. American brains are going to design the best EVs, and American muscle will build the clean economy.

- **Benefits:** Loans typically cost less than direct grants. Again, will not have to defend as high a price tag. Able to solidify the support of unions and other blue collar laborers.

- **Challenges:** Union autoworkers are concerned that EVs are simpler to make and also are frequently assembled with foreign-made parts. [9] It will be important to state that this policy will reinvigorate the entire supply chain manufacturing sector.

Help U.S. industrial facilities become the cleanest in the world by expanding tax credits for carbon capture and zero carbon fuels.

Purpose: To lower carbon dioxide emissions from the industrial sector which produces 22% of U.S. emissions and is the hardest economic sector to decarbonize. [10] Industrial facilities will need to employ carbon capture or switch to zero-carbon fuels to achieve net zero emissions nationwide by 2050. [11] If U.S. industries can become the cleanest industries in the world, they

will be able to sell their products into low carbon markets of the future. E.g., if an industrial facility lowers its carbon dioxide emissions, it makes the facility's products more valuable for government contracts that will only purchase low carbon, and ensure access to markets like the E.U. that are limiting emissions from manufacturing.

- **Specifics:** The 45Q tax credit [12] incentivizes the capture and permanent storage of carbon dioxide. The tax credit, however, is not large enough to encourage carbon capture in some of the most emissions-heavy industries. 45Q should be extended and tailored to provide additional value to carbon captured from more expensive projects in heavy industries like steel and cement. A new investment tax credit for fuel switching (from fossil fuels to zero carbon fuels) and retrofits of existing industrial facilities will help facilities make capital-heavy investments. Both credits should have the option to convert to a cash grant, as there may be very little tax equity in a recovering economy.

- **Political supporters:** Sanders was the only 2020 presidential candidate to explicitly exclude carbon capture from their climate plan. Yang was the most vocal proponent of carbon capture and called for "$9.5 billion over 15 years in installing carbon capture systems." Buttigieg and Biden also specifically mentioned the need for carbon capture use and storage in their platforms. The 45Q tax credit [13] as well as other carbon capture bills in Congress [14] [15] have enjoyed widespread bipartisan support in both houses of Congress.

- **Key stakeholders:** Industrial facilities, unions, local economies dependent on industrial facilities.

- **Importance for MI, WI, PA, NC, AZ, FL:** "Industry" is a key issue for most of these states that are looking at a bleak future for local economies.

- **Campaign messaging:** We will revive U.S. industries by making the necessary investments to make them the cleanest in the world and restore global U.S. industrial preeminence.

- **Benefits:** The 45Q tax credit is already existing law. Carbon capture enjoys bipartisan support on Capitol Hill. This policy is complementary to the Buy Clean standard (a win, win for American industries) and will also tackle emissions from the hard-to-abate industrial sector. By talking about zero carbon fuels, a candidate would demonstrate a keen awareness of one of the greatest obstacles to achieving a zero-emissions economy and the solutions needed to overcome them.

- **Challenges:** While many environmental organizations support carbon capture for industrial facilities, where there are few alternatives to fully decarbonize, they oppose using captured CO2 to increase production of oilfields (currently the most common destination for captured CO2).

Make the U.S. the leader in the manufacturing and deployment of Direct Air Carbon Capture and Sequestration facilities.

Purpose: To spark the growth of a new industry that can suck carbon dioxide directly out of the air and bury it underground.

- **Specifics:** Direct Air Capture (DAC) facilities are those that remove carbon dioxide from ambient air and then permanently sequester it underground or in products like plastics or cement. Scientists estimate that the world could need thousands or even millions of these facilities to achieve net zero emissions by 2050. [16] An enhancement of the 45Q tax credit (referenced above) would help deploy additional DAC projects domestically, but the technology will also need major investments in demonstration facilities and other federal support in order for the U.S. to scale-up and develop a competitive domestic industry that exports DAC technology worldwide.

- **Political supporters:** All 2020 presidential candidates, with the exception of Sanders, did not explicitly exclude carbon capture from their climate plans. Delaney and Klobuchar were both proponents of aggressive Direct Air Capture [17] funding. The 45Q tax credit [18] as well as other carbon capture bills in Congress [19] [20] have enjoyed widespread bipartisan support in both houses of Congress.

- **Key Stakeholders:** This is aimed at suburbanites and climate supporters who are galvanized by the threat of climate change.

- **Importance for MI, WI, PA, NC, AZ, FL:** The manufacturing and industry creation piece is important for these manufacturing states who can produce the materials for a DAC facility.

- **Campaign messaging:** We are building a low carbon, clean economy of the future, and direct air capture facilities will dot the landscape in towns, villages and cities across the U.S. We are going to build and deploy these facilities, creating a new industry that fights climate change and puts Americans to work.

- **Benefits:** Direct Air Capture is an extremely hot topic with environmentalists and young advocates. This technology holds a lot of promise and will be critical to a clean economy as well as meeting our scientifically-determined emissions goals.

- **Challenges:** Could be attacked as an expensive and impractical moonshot.

Create an extensive job training program in low-income and minority communities for clean

manufacturing, union jobs.

Purpose: To create a job feeder pipeline for union clean manufacturing jobs in low-income and minority communities.

- **Specifics:** Provide grant funds for community colleges, technical schools, union and registered apprenticeship programs, colleges and universities in low-income and zip codes that engage in workforce development programs for clean manufacturing jobs.

- **Political supporters***:* Warren called for "building joint labor-management apprenticeships, and creating strong career pipelines to support the millions of workers who will fuel the transition to the new clean energy economy." [21] Klobuchar supported a manufacturing tax incentive to encourage investment in rural communities or communities that have faced or are about to face job losses. Booker, Biden, and Klobuchar all called for the creation of union jobs in a clean economy. Rep. Cheri Bustos' Rural Green Partnership offers specific policy proposals that could achieve these general positions outlined by these presidential candidates. It provides grants for "community colleges, technical schools, union and registered apprenticeship programs, colleges and universities that engage in workforce development." [22]

- **Key stakeholders:** Low-income communities, minority communities, workers, laborer unions, community colleges, universities, registered apprenticeship programs.

- **Importance for MI, WI, PA, NC, AZ, FL:** There are many low-income and minority communities in these states that have lost significant numbers of union jobs. These communities have historically borne the brunt of environmental pollution.

- **Campaign messaging:** We care about Main Street USA, about environmental justice, about communities that lost jobs to globalization, about minorities, about reinvigorating unions, about strengthening the middle class.

- **Benefits:** See campaign messaging.

- **Challenges:** Price tag.

Invest in innovation that will make U.S. manufacturers the cleanest in the world.

Purpose: To fund RD&D that will spur innovation in clean manufacturing and hasten the deployment of emissions reduction technologies.

- **Specifics:** Invest $1 billion per year into RD&D for advanced manufacturing— including technologies and processes to produce low- or zero-emissions steel, cement, and chemicals, carbon capture techniques, and utilizing captured carbon in materials like carbon-fiber or as fuels to provide the heat necessary to create these materials.
- **Political supporters:** The Buttigieg campaign developed this policy. All Democratic candidates support robust innovation, but Booker, Harris, and Yang specifically mention R&D funding for the hard-to-abate manufacturing sector.
- **Key stakeholders:** Manufacturing facilities, universities, researchers, and the communities that support them.
- **Importance for MI, WI, PA, NC, AZ, FL:** The NETL laboratory in Pennsylvania [23], Research Triangle International [24] in North Carolina, and the Center for Negative Carbon Emissions in Arizona [25] perform significant industrial sector research.
- **Campaign messaging:** We must invest in innovation research in order for U.S. industries to lead the world in clean manufacturing.
- **Benefits:** The research economy is a huge economic driver in battleground states.
- **Challenges:** Some might attack this funding as unnecessary in a year when we've spent trillions to rescue the economy.

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