

Federal Policy Recommendations for U.S. Industrial Economic Recovery



**Industrial
Innovation
Initiative**

a partnership between Great Plains Institute and
World Resources Institute

The Industrial Innovation Initiative (I³) recommends the following provisions for inclusion in congressional economic recovery legislation aimed at addressing the impacts of COVID-19 on key industrial sectors in the United States.

The listed recommendations focus on fostering recovery from COVID-19 through federal investments that spur economic activity and create and maintain jobs in the near-term, while putting American industry on a long-term path to deep emissions reductions, high-wage job retention and creation, technology leadership and economic competitiveness.

The Initiative's recommendations include:

Direct Pay

Allow a direct pay option for energy efficiency, clean energy and industrial tax credits that target industrial carbon emissions reductions;

45Q Eligibility Capture Thresholds

Eliminate 45Q tax credit eligibility thresholds for industrial facilities and carbon utilization projects, which deter technology innovation and emissions reductions;

U.S. DOE Cost-Share Programs, FEED Studies & Saline Storage

Authorize funds for a temporarily expanded U.S. Department of Energy (DOE) cost-share program for commercial-scale technology demonstrations, front-end engineering and design (FEED) studies, and saline geologic storage sites;

Title 17 DOE Loan Guarantee Program

Enhance financial support for early stage deployment of clean industrial technologies by removing barriers to the Title 17 DOE loan guarantee program, and revise eligibility criteria to include key industrial technologies;

48C Advanced Manufacturing Tax Credit Program

Lower the cost of investing in new production lines for designated clean technologies by renewing and expanding the Section 48C Advanced Manufacturing Tax Credit Program;

Participating entities with input and involvement in the recommendations

Companies

ArcelorMittal
Dow
Energy
Growth Energy
LafargeHolcim
LanzaTech
Linde
Minnesota Power
Oxy Low Carbon Ventures
Pacific Ethanol
Solidia

NGOs

American Council for an
Energy-Efficient Economy
Clean Air Task Force
National Wildlife Federation
The Nature Conservancy
Third Way

States

Louisiana Department of
Natural Resources
Wisconsin Office of Energy
Innovation

Priority Technologies

The proposed recommendations aim to advance the mission of I³ to incentivize investment in low-carbon technologies, processes, products and markets within the industrial sector, prioritizing key areas for long-term emissions reductions, including:

- low and zero-carbon process heat
- carbon capture, transport, utilization and geologic storage;
- energy efficiency and materials management; and
- other innovative industrial applications and practices that are a part of a pathway to decarbonize the industrial sector

Criteria

Selected policies were designed to satisfy four criteria:

1. provide near-term potential to drive economic activity and preserve and create well-paying jobs;
2. support investment in and deployment of industrial technologies, processes and infrastructure that will reduce emissions and enhance competitiveness in a future low-carbon economy;
3. be implemented quickly, relying on existing authority and avoiding the need for further rulemaking or guidance procedures, where possible; and
4. have prospects for broad bipartisan support.

DOE's Better Buildings, Better Plants Initiative

Enhance technical assistance for the deployment of commercially available industrial decarbonization technologies through DOE's Better Buildings, Better Plants Initiative;

Block Grant Funding for States

Expand block grant funding for states to support industrial efficiency, with increased funds for states that establish programs to help build market demand for low-carbon products; and

Investment in RD&D

Augment investment in research, development and pre-commercial demonstration (RD&D) of innovative industrial emission reduction technologies.

The effects of COVID-19 on the industrial sector has been profound. Demand has declined for many commodity products due to lack of travel and a decrease in business and consumer confidence and purchasing, leading to widespread plant closures, job losses and other significant financial and operational consequences for U.S. industry.

At the same time, industrial emissions constitute approximately one-third of global and one-third of U.S. carbon emissions when considering the direct and the indirect emissions from electricity used by industry. Without concerted action, industrial emissions are expected to continue increasing globally over the coming decades once economies begin to recover from the pandemic. However, development and broader commercial deployment of emerging and established technologies and processes could enable deep emissions reductions in the sector, while preserving and growing U.S. industrial production and associated employment and tax base in the wake of COVID-19.

The Industrial Innovation Initiative (I³) is an ambitious coalition bringing together key industrial and power companies, environmental organizations, and state officials from Midwestern and Gulf Coast states. The initiative focuses on decarbonization solutions for the region's most important industrial sectors and seeks to accelerate adoption of those solutions through state, regional and federal policy. I³ is co-convened by the Great Plains Institute (GPI) and the World Resources Institute (WRI).

For more information on the Industrial Innovation Initiative or on the recommendations, contact Jill Rook (jrook@gpisd.net) or Nicholas Bianco (Nicholas.Bianco@wri.org).



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