BlueGreen Alliance
Thomas Lewis, Senior Policy Advisor, Manufacturing and Industrial Policy
1020 19th St., NW | Suite 750
Washington, DC 20036
tlewis@bluegreenalliance.org | 202-706-6911

March 15, 2024

Response to the Department of Energy's Request for Information Regarding the Manufacturing Capital Connector

The BlueGreen Alliance (BGA) unites the nation's labor unions and environmental organizations to solve today's environmental challenges in ways that create and maintain quality jobs and build a stronger, fairer economy. Our partnership is firm in its belief that we don't have to choose between good jobs and a clean environment—we can and must have both. With the right implementation, the Manufacturing Capital Connector (MCC) could be a critical pathway through which the U.S. Department of Energy (DOE) can support domestic manufacturing growth and industrial decarbonization, while creating good union jobs, re-shoring clean technology supply chains, and delivering public health and environmental benefits to the workers and communities that need it most. We appreciate the opportunity to respond to DOE's request for information (RFI) for the MCC.

Private Capital Can Help Federal Investments Go Farther

The Inflation Reduction Act, the Bipartisan Infrastructure Law (BIL), and the CHIPS and Science Act (CHIPS) collectively invest over $100 billion in domestic manufacturing. These investments include the Advanced Energy Project Investment Credit (48C), which was explicitly named in the DOE's RFI to establish the MCC as a program that would benefit from clean energy manufacturers connecting with private lenders. 48C provides $10 billion for investments in clean technology manufacturing and industrial decarbonization, including a $4 billion set aside for coal communities. However, 48C also requires awardees to be in operation before receiving an allocation, therefore projects need to have 100% of financing upfront. The MCC could serve an essential function for manufacturers to take advantage of 48C by helping to fill any financing gaps that exist.

Other programs that support domestic manufacturing in these laws could additionally gain from the MCC. DOE will soon announce over $6 billion for

energy and emissions-intensive manufacturers through its Industrial Demonstrations Program. Credit Suisse estimates that, since the Advanced Manufacturing Production Credit (45X) in the Inflation Reduction Act is an uncapped credit, federal investments could reach $260 billion and stimulate $265 billion of private spending in clean technology manufacturing over the next decade.[i] Since passage of the Inflation Reduction Act, the White House has tracked more than $200 billion in announcements for projects that manufacture solar, wind, energy storage, and electric vehicle components.[ii] However, these announcements are just that: announcements. They do not guarantee a project will move forward. Many of the announced projects are still waiting on decisions from federal programs and private lenders that will be key for determining whether the project will be viable. Manufacturing is capital intensive and individual projects may rely on several different forms of debt and equity financing. In a period of elevated interest rates, anything DOE can do to decrease the cost of capital could go a long way towards the United States meeting its domestic manufacturing goals. When establishing the MCC, DOE should work closely with the U.S. Department of the Treasury, U.S. Department of Commerce, and the Small Business Administration—which facilitates a similar matchmaking program between small businesses and Small Business Investment Companies (SBIC). The United States can once again lead the world in manufacturing, but it will require close coordination between the federal government and private entities to ensure these announced projects become reality.

Manufacturing Supports Good, Union Jobs and Economic Growth

The economic stakes for getting this right are enormous. After Congress established 48C in the American Recovery and Reinvestment Act of 2009, it provided $2.3 billion to nearly 200 clean energy manufacturing projects across 43 states. It is estimated that the initial funding supported 58,000 jobs and facilitated an additional $5.4 billion in private spending.[iii] Through the Inflation Reduction Act, 48C will provide four times as much federal funding as was available in 2009, and by its support for coal communities, it can further accelerate its total impact by bringing economic diversification to hard hit communities. Manufacturing has the proven ability to provide pathways into the middle class, and to support millions of high-skill, high-wage jobs. Overall, manufacturing directly employs about one in 11 U.S. workers.[iv] Manufacturing workers earn 13% more in wages and benefits than comparable workers in the rest of the private sector, and energy-specific manufacturing pays an additional premium of 13% over the entire manufacturing industry and 20% over the national median wage.[v] A new report by the Political Economy Research

Institute finds that more than one in five jobs created directly by the Inflation Reduction Act, BIL, and CHIPS will be in the manufacturing sector, with an estimated 230,000 jobs created annually.[vi]

The economic impacts of manufacturing are similarly extensive, including contributing $2 trillion a year to the gross domestic product (GDP). If the industry's purchases of goods and materials are factored in, manufacturing accounts for one-third of U.S. economic output or more. Its impact on the nation's innovation and competitiveness is even larger—accounting for more than two-thirds of private sector research and development (R&D).[vii] The sector's domestic strength also plays a central role in the balance of U.S. imports and exports—and the jobs that go with them.

As a result of the importance of the manufacturing sector, numerous studies have found that its decline has contributed to income inequality.[viii] Black, Hispanic, Asian American/Pacific Islander (AAPI), and white workers without a college degree all earn substantially more in manufacturing than in non-manufacturing industries.[ix] Less reported is the fact that the manufacturing decline and resulting pay cuts have disproportionately impacted Black workers and other workers of color. A report by the Economic Policy Institute (EPI) found that "the loss of manufacturing jobs has been particularly devastating for Black and Hispanic workers and other workers of color, who represent a disproportionate share of those without a college degree, and for whom discrimination has limited access to better-paying jobs." Black manufacturing employment has fallen more than 30% since the late 1990s, contributing to the Black-white wage gap.[x]

The MCC Should be Designed to Support High-Road Labor Practices and Community Engagement

One of the proposed features of the MCC is educating lenders on DOE's supply chain priority areas and federal clean energy manufacturing programs. The program should also educate lenders on the value of high-road labor practices and unions and how DOE's requirement for companies to submit Community Benefit Plans (CBP) can support successful business operations. CBPs provide a comprehensive framework that applicants for grants and loans from all federal agencies can use to demonstrate commitment to creating good jobs and career pathways for a diverse pool of workers, as well as long-term economic, social, environmental, and health benefits for communities. DOE should utilize this as an opportunity to educate financial entities on the value CBPs can provide to projects. In fact, embracing strong labor and equity

standards is more than a moral imperative, it's also an effective business strategy. Indeed, empirical evidence points to a robust business case for supporting high-road labor and equity standards.[xi] Unionized workforces tend to have higher rates of worker retention, meaning fewer staff shortages, reduced turnover costs, and more experienced workers.[xii] Utilizing union-affiliated training programs—such as registered apprenticeships and pre-apprenticeships in the construction sector—provides businesses with a well-trained, more productive workforce, ultimately driving efficiency and success. This is a distinct competitive advantage, especially in tight labor markets when talent comes at a premium.[xiii]

Through the MCC, DOE proposes to provide private lenders with a significant public value by connecting their services to manufacturers benefiting from billions of dollars in public funding. DOE regularly collects private sector information from manufacturers and has spent years analyzing and evaluating clean energy manufacturing supply chains and can help disseminate this information comprehensively. As a result, it is paramount that DOE carefully vet financial entities into the program who have a demonstrated track record of successfully deploying capital for manufacturing and other industrial projects, and who have shown a commitment to collaborate with a broad array of stakeholders such as community-based organizations, labor unions, local nonprofits, and local businesses that are committed to environmental justice and/or serve disadvantaged communities. Entities should demonstrate how they have and will continue to work alongside communities, supporting and collaborating on project development and agree to support projects designed to maximize worker and public benefits, target disadvantaged and energy transition communities, and ensure that communities and workers have authority and representation in the oversight of projects. Further, financial entities should demonstrate this commitment by disclosing empowerment policies directed towards their own employees, including career advancement opportunities and training for disadvantaged communities, supporting freedom of association, and whether employees have union representation. This would keep the program aligned with the Biden administration's commitment to more inclusive and place-based investment, such as the Justice40 initiative to ensure that disadvantaged communities receive the benefits of new and existing federal investments.

DOE should also prioritize educating and connecting lenders with projects in regions particularly hit hard by job losses in the fossil energy and manufacturing sectors in addition to other low-income and disadvantaged communities, as those are the places where access to capital is most difficult

but could have the biggest impact. Prioritizing and targeting resources to workers and communities in places impacted by the energy transition needs to be deliberate and intentional. Additionally, DOE should consider using the data collected through the MCC to develop public materials on broad investment patterns and trends. Aggregating and disseminating this information can serve as a tool for mobilizing future private investment and optimizing investment facilitation between companies and private capital.

Conclusion

The Inflation Reduction Act, BIL, and CHIPS present a once-in-a-generation opportunity to dramatically reduce greenhouse emissions—as well as toxic air, water, and land pollution—while providing good union jobs in the clean economy and driving growth in U.S. manufacturing. Establishing public-private partnerships like the MCC to ensure that private capital flows to the most high-road projects supported by federal funding is essential to realizing the full impacts that investments in manufacturing can provide. Thank you for DOE's work designing and implementing innovative programs like the MCC.

ENDNOTES

[i] Credit Suisse, US Inflation Reduction Act: A Catalyst for Climate Action, November 30, 2022. https://www.credit-suisse.com/about-us-news/en/articles/news-and-expertise/us-inflation-reduction-act-a-catalyst-for-climate-action-202211.html

[ii] White House, Investing in America, Updated March 2024. https://www.whitehouse.gov/invest/

[iii] White House, Fact Sheet: $2.3 Billion in New Clean Energy Manufacturing Tax Credits, January 8, 2010. https://obamawhitehouse.archives.gov/the-press-office/fact-sheet-23-billion-new-clean-energy-manufacturing-tax-credits

[iv] Economic Policy Institute (EPI), The Manufacturing Footprint and the Importance of U.S. Manufacturing Jobs. January 22, 2015. https://www.epi.org/publication/the-manufacturing-footprint-and-the-importance-of-u-s-manufacturing-jobs/

[v] NASEO, EFI, and BW Research, Wages, Benefits, and Change: A Supplemental Report to the Annual U.S. Energy and Employment Report, April 2021. https://www.naseo.org/issues/energy-jobs/employment-report

[vi] Political Economy Research Institute, Labor Supply, Labor Demand, and Potential Labor Shortages Through New U.S. Clean Energy, Manufacturing, and Infrastructure Laws, February 2024. https://peri.umass.edu/images/PERI_BGA_Labor_2_28_24.pdf

[vii] EPI, The Manufacturing Footprint and the Importance of U.S. Manufacturing Jobs. January 22, 2015. https://www.epi.org/publication/the-manufacturing-footprint-and-the-importance-of-u-s-manufacturing-jobs/

[viii] EPI, Yes, manufacturing still provides a pay advantage, but staffing firm outsourcing is eroding it, March 2018. https://www.epi.org/publication/manufacturing-still-provides-a-pay-advantage-but-

[ix] International Monetary Fund, Manufacturing Jobs and Inequality: Why is the U.S. Experience Different?, September 2019. https://www.imf.org/en/Publications/WP/Issues/2019/09/13/Manufacturing-Jobs-and-Inequality-Why-is-the-U-S-47001

[x] EPI, Botched policy responses to globalization have decimated manufacturing employment with often overlooked costs for Black, Brown, and other workers of color, 2022. https://www.epi.org/publication/botched-policy-responses-to-globalization/

[xi] Massachusetts Institute of Technology, Unions, Worker Voice, and Management Practices: Implications for a High-Productivity High-Wage Economy, December 2019. https://www.jstor.org/stable/pdf/10.7758/rsf.2019.5.5.05.pdf?refreqid=excel

sior%3A8e3e7bdd6b8b74b7b16fff7a160fc4f3&ab_segments=&origin=&initiator=&acceptTC=1

[xii] State University of New York at Oswego, The Impact of Union Membership on Intent to Leave: Additional Evidence on the Voice Face of Unions, December 2005. https://www.researchgate.net/publication/226530917_The_Impact_of_Union_Membership_on_Intent_to_Leave_Additional_Evidence_on_the_Voice_Face_of_Unions

[xiii] Washington Center for Equitable Growth, Improving U.S. Labor Standards and the Quality of Jobs to Reduce the Costs of Employee Turnover to U.S. Companies, December 2020. https://equitablegrowth.org/wp-content/uploads/2020/12/122120-turnover-costs-ib.pdf