



MICHIGAN STRATEGIC FUND

MEMORANDUM

DATE: March 21, 2025

TO: The Honorable Gretchen Whitmer, Governor of Michigan
Members of the Michigan Legislature
Scott Starr, Clerk of the House of Representatives
Dan Oberlin, Secretary of the Senate
House Fiscal Agency
Senate Fiscal Agency

FROM: Quentin L. Messer, Jr., President
Michigan Strategic Fund

**RE: Notification of Amendment to the Critical Industry Program (CIP) Grant –
General Motors LLC**

Public Act 270 of 1984, Sec. 88(s)(5) (Act) requires the Michigan Strategic Fund (MSF) to provide notice, and a copy, of a request received by the MSF to modify an existing written CIP grant agreement within five (5) business days of receiving that request. The Act also requires an explanation of the provisions of a CIP grant to be modified and notice of the proposed CIP grant amendments to be published on the MSF's website at least one (1) business day prior to the MSF public hearing on the proposed amendments. Finally, the Act requires that if the MSF approves and modifies a CIP grant, the MSF is required to provide you with a copy of the amended CIP grant agreement within one (1) business day of completion of the modification.

The MSF and General Motors LLC entered into a CIP grant agreement effective December 31, 2022, memorializing a CIP award to General Motors LLC in the total amount of \$480 million for an expansion at General Motor's Orion Township facility for conversion to electric vehicle production that was expected to create at least 1,840 qualified jobs, and a projected investment of up to \$4 billion in capital investment.

On March 14, 2025, General Motors LLC requested MSF consideration of modification to the agreement. This amendment request includes the removal of a provision that would allow excess Qualified Jobs created by Ultium to count toward its Qualified Job commitment, removal of the early performance provision, and the addition of a six-month job maintenance requirement to the Qualified Job commitment. Attached is an explanation of the provisions of the General Motors LLC grant to be modified along with the rationale for consideration, and a copy of General Motors LLC request.

General Motors LLC requested modification to the grant will be published on the MSF website as required by the Act prior to presentation to the MSF Board for consideration. Additionally, as

required by the Act, if the modifications are approved by the MSF, the MSF will provide a copy of the amended grant agreement.

Please contact our Office of Legislative Affairs at medcgovrelations@michigan.org if you have any questions. In addition, please do not hesitate to contact me at messerq@michigan.org.

Attachments:

Copy of General Motors LLC request for amendment, which includes the summary of, and rationale, for the specific amendments

cc: Matt Casby, Michigan Strategic Fund Manager



MEMORANDUM

Date: March 25, 2025

To: Michigan Strategic Fund (“MSF”) Board Members

From: Michelle Grinnell, SVP, Market Growth & Business Attraction

Subject: **Incentives Amendment Request:**
Project #1: Ultium Cells LLC (“Ultium”) and Lansing Economic Area Partnership Amendment Request

- Critical Industry Program (“CIP”) Grant Reassignment and Amendment
- Renewable Energy Renaissance Zone (RERZ) Reassignment and Amendment
- Strategic Site Readiness Program (“SSRP”) Grant Amendment

Project #2: General Motors LLC (“GM”) Amendment Request

- CIP Grant Amendment

Request Summary

The above-mentioned entities are requesting an amendment to the current MSF incentives, which were authorized to support the following projects: 1) construction of a new high-volume Ultium battery cell manufacturing facility in the City of Lansing that was expected to create at least 1,360 new jobs and a projected minimum investment of \$1.5 billion (“Project #1”); and 2) an expansion at GM’s Orion Township facility for conversion to electric vehicle production that was expected to create at least 1,840 qualified jobs, and a projected investment of up to \$4 billion (“Project #2”). See Appendix A for additional background information.

On January 25, 2022, the MSF Board authorized the following incentives, which played a key role in Michigan securing its first transformational investment as result of the creation of the Critical Industry and Strategic Site Readiness Programs:

- **CIP:** A \$600 million performance-based grant for the creation of a minimum of 3,200 jobs with the potential for up to 4,000 new jobs related to Project #1 and Project #2 (the “CIP award”). Following MSF Board approval, the CIP award was split between GM and Ultium Cells LLC (a 50-50 joint venture between GM and LG Energy Solution) and the MSF entered into agreements with both parties, which included the following terms:
 - o **Ultium:** A \$120 million performance-based CIP grant that required Ultium to demonstrate it had created at least 1,360 Qualified Jobs at the City of Lansing (Delta Charter Township) facility on December 31, 2030.
 - o **GM:** A \$480 million performance-based CIP grant that required GM to demonstrate it had created at least 1,840 Qualified Jobs in excess of its 1,000 base jobs (the “Base Employment Level”) at its Orion Township facility on December 31, 2030.
 - o In the event either party fell short of their Qualified Job commitment and the other party exceeded its Qualified Job commitment both parties were permitted to count the excess Qualified Jobs toward the Qualified Job commitment outlined its respective agreement. Additionally, both parties could request termination of their respective grant agreement for early performance if they collectively demonstrated the following: 1) the creation of at least 3,200 Qualified Jobs collectively between Ultium and GM; 2) GM had maintained its

Base Employment Level; and 3) Ultium and GM collectively invested at least \$3 billion in eligible expenses.

- **RERZ:** An 18-year RERZ for Ultium to support Project #1, which required a minimum investment of \$1.5 billion by December 31, 2027, and;
- **SSRP:** A \$66.1 million SSRP performance-based grant awarded to LEAP for public infrastructure and utility upgrades

Project #1:

- **Ultium Request**
 - o CIP performance-based grant amendment, as outlined in the attached resolution, to:
 - Reassign the grant from Ultium Cells LLC to LG Energy Solution Michigan, Inc., the later of which represented the battery-making and electrochemical expertise within the Ultium Cells joint venture.
 - Remove reference to General Motors and GM Group, except for eligible expenses that occurred on or before the date of the amended agreement.
 - Remove references to the Orion Township Project.
 - Update the Base Employment Level to remove existing employees associated with the Orion Township Project.
 - Remove the provision that allows excess Qualified Jobs created by GM to count toward the Qualified Job commitment.
 - Remove the early performance provision.
 - Add a 6-month job maintenance requirement to the Qualified Job commitment.
 - o RERZ amendment:
 - Reassign the agreement to LG Energy Solution Michigan as the new landowner and owner/operator of the facility.
 - Reduce the size of the RERZ boundary to reflect removal of the excess GM property.
 - Remove reference to General Motors and GM Group, except for eligible expenses that occurred on or before the date of the amended agreement.
- **LEAP Request**
 - o SSRP grant amendment, as outlined in the attached resolution, to:
 - Reflect the updated ownership, from Ultium to LG Energy Solution Michigan.

Project #2:

- **GM Request**
 - o CIP Performance-based grant amendment, as outlined in the attached resolution, to:
 - Remove the provision that allows excess Qualified Jobs created by Ultium to count toward the Qualified Job commitment.
 - Remove the early performance provision.
 - Add a 6-month job maintenance requirement to the Qualified Job commitment.

The amendments discussed above will (i) appropriately and necessarily reassign the incentives to the new owner of the Lansing facility and ensure the facility becomes a catalyst for continued investment in the region and across the state, and (ii) continue to require that both Projects fulfill the existing terms outlined in their respective agreements. In sum, the requested amendments do not impact or revise the timing, the job commitments, or minimum investment requirements at either Project.

Recommendation

MEDC Staff recommends that the MSF Board approve the amendments as outlined in the attached Resolutions.



Background

Project #1 Summary

Beginning the first quarter of 2022, Ultium, a joint venture between GM and LG Energy Solution, began constructing a new high-volume 2.5 million square foot battery cell manufacturing facility in the City of Lansing (Delta Charter Township). In December 2024, GM and LG Energy Solution announced that Ultium was selling its stake in the Lansing facility to LG Energy Solution.

The Lansing battery cell plant, which is nearing completion, will have an annual manufacturing capacity of 41 gigawatt-hours (GWh) of batteries intended for use in advanced automotive applications and for other key industries. LG Energy Solution expects to meet the job creation and investment commitments outlined above, consistent with the previously approved incentives. To date, the project has generated over \$2 billion in private investment, exceeding the RERZ investment requirement. LGES expects to commence battery cell production at the facility in the spring/summer of 2025.

LG Energy Solution produces high-voltage battery cells for electric vehicles, energy storage systems and mobility and IT applications. The company plays a critical role in onshoring this strategic technology, which, up to now, has primarily been produced in Asia. LG Energy Solution has invested more than \$3 billion in its Holland, Michigan cell plant since 2010 and, jointly with GM, has invested \$2 billion at the Lansing battery facility. LG Energy Solution's growing presence in the U.S. will significantly and positively impact Michigan, with the Lansing facility serving as a key part of its production network in North America.

The Ultium amendment will appropriately and necessarily reassign the incentives to the new owner of the Lansing facility, ensuring the facility becomes a catalyst for continued investment in the region and across the state, while making certain that both parties fulfill the terms outlined in their respective agreements. The transfer of ownership to LG Energy Solution from Ultium Cells LLC will also help to strengthen Michigan's economy by diversifying into new markets beyond the auto industry. Battery cell-making is creating jobs across the entire economic spectrum, from GEDs to PhDs. Many of these are high-tech, high-paying jobs. Furthermore, the battery industry requires new transport, handling and production processes along with cultivation and training of a new workforce.

There are many additional opportunities for the battery industry to grow in the state of Michigan, from processing valuable precursor materials to recycling, in conjunction with LG Energy Solution assuming full ownership of the Lansing cell-making facility.

Project #2 Summary

GM is investing \$4 billion to convert Orion Assembly to manufacture electric vehicles, joining GM's growing portfolio of EV assembly plants across the U.S. A significant portion of the capital expenditure is required to expand the existing site, including several additions totaling approximately 4 million square feet, renovations to the facility, site improvements, machinery, equipment, and special tooling. When production begins, Orion will be one of GM's most advanced facilities, with several new technologies being implemented for the first time.

Since MSF Board approval, GM has made significant construction and equipment installation progress in the new body and paint shops, as well as general assembly. Limited production has also begun in battery assembly, developing battery packs for GM's Factory ZERO in Detroit-Hamtramck.



Date: March 14, 2025
To: Quentin L. Messer, Jr., President, Michigan Strategic Fund
From: David Massaron, Vice President, Infrastructure and Corporate Citizenship,
General Motors LLC
Subject: General Motors LLC request to amend CIP agreement

In 2022, General Motors LLC (GM) announced a project to expand our Orion Township facility for conversion to electric vehicle production. The Michigan Strategic Fund provided combined incentives to the Orion Project and the Lansing Project through GM's joint venture with LG Energy Solution (LGES), Ultium Cells LLC.

The State provided strong support with the award of a CIP grant in the amount of \$600M, which was split between the Orion project (\$480M) and the Ultium JV project (\$120M). The grant award was for the combined projects, however, each entity (GM and Ultium) received separate agreements, which included certain terms that would allow each location to support each other, while maintaining independent operations. Orion has drawn down the grant, which was used to support the major construction activities at the expansion site. Lansing Ultium also has drawn down their grant, again used for the construction of the building.

Since the award, work at Orion continues to progress toward its fall 2026 start of production. Additionally, work at the Lansing battery cell plant is approximately 98% completed.

In late 2024, GM announced it would sell its stake in the nearly completed plant to its joint venture partner, LGES. GM believes it has the right technology plans and cell manufacturing capacity in place today to grow with the EV market in a capital efficient manner. When completed, the transaction will accelerate LGES' ability to meet their customer demand by leveraging capacity that's nearly ready to come online, while making GM even more efficient.

GM and LGES are in final stages of negotiation for the change of ownership. One of the items needed is a transfer of the economic incentives awarded to Ultium for the project. GM, LGES and Ultium have been working with the MEDC staff to transfer the existing incentives and commitments for the Lansing project from Ultium Cells LLC to LGES. A part of that transfer is the separation of GM and Ultium in our agreements.

As a result of this change, GM is requesting the Michigan Strategic Fund amend the CIP Orion grant in all places necessary to effectuate the following:

- Remove the provision that allows excess Qualified Jobs created by Ultium to count toward the Qualified Job commitment
- Remove the early performance provision
- Add a 6-month job maintenance requirement to the Qualified Job commitment

Thank you for your consideration. Should you have any questions, please reach out at your convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "David Massaron", followed by a long horizontal flourish.

David Massaron
Vice President, Infrastructure and Corporate Citizenship
General Motors LLC

Email: david.massaron@gm.com