MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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:
  - **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.
  - **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.
  - 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**
  - 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.
  - 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**
  - 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**
  - 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.

<u>Recommendation</u>

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.