

Texas to submit battery consortium bid

More than 30 companies will help winning state seek stimulus money to develop hybrid vehicle battery technology.

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The State of Texas on Monday will submit a bid to become the headquarters for an advanced battery consortium that is seeking \$1 billion in federal stimulus money to develop essential components for the next generation of hybrid electric vehicles. Austin is among the sites being proposed for the project, said sources close to the recruiting effort.

That consortium, the National Alliance for Advanced Transportation Batteries, wants to build both a development center and a factory for battery cells — the parts in which a chemical reaction generates electric current. The group, formed in December, has more than 30 member companies, many of them startups, including Austin's ActaCell Inc.

The money would come from \$2.4 billion set aside in the federal economic stimulus law to be granted by the U.S. Department of Energy to speed development of technology for plug-in hybrid electric vehicles.

The group also includes 3M Co., East Penn Manufacturing Co., Kemet Corp. and Exide Technologies.

The Texas bid to the consortiums backed by Gov. Rick Perry, all of the state's major public universities, several members of the Legislature, and business groups from San Antonio, Austin and nearby communities.

One key player is Austin lawyer Pike Powers, who has coordinated previous high-profile technology recruiting campaigns, including the effort that won the Sematech chip manufacturing research project in 1988. In recent months, Powers has called for San Antonio and Austin to work together to lure clean energy jobs to the area as a way to make up for the local decline in chip manufacturing.

Texas will be competing against seven other states — Illinois, Kansas, Kentucky, Missouri, New York, Pennsylvania and South Carolina — for the battery project, which could bring more than 2,500 jobs over five years and attract battery-related suppliers to the state.

The consortium says it would need a 200,000-square-foot headquarters and engineering development center; a 300,000-square-foot assembly building; and, eventually, a 1 million-square-foot manufacturing center.

The Energy Department's request for bids for the stimulus money was released Thursday with an expected deadline of mid-May. The department has pledged to move quickly to select grant winners once the applications are in.

If the consortium wins federal backing, it will move rapidly to set up a headquarters and battery cell engineering and development center. The completion of a factory might take another two years.

Backers of the project say they want it to help revive the declining American battery industry around a newer technology called lithium ion. Presently, most lithium-ion batteries go into notebook computers and cell phones, and most of the manufacturing for such batteries is based in Japan, South Korea and China. Those nations also have plans to convert the technology for next-generation clean cars.

The Texas proposal is expected to recommend several potential sites in Austin and San Antonio. One Austin site is likely to be the unused portion of the Sematech campus at 2706 Montopolis Drive in Southeast Austin. That property is owned by the University of Texas.

Landing the battery consortium would bolster the state's status as a clean technology center and make up for some of the recent setbacks in Texas' efforts to win major solar energy projects. Economic development consultant Angelos Angelou said several large solar manufacturing projects have located in other states, including New Mexico and Oregon, because they thought Texas did not offer a competitive package of financial incentives.

Winning the battery project won't be easy, Powers said. He expects the seven other states will offer substantial financial incentives and other assistance.

The race for federal money is highly competitive. In a letter to Perry, the consortium asked for a quick response from Texas and other states so that it can move rapidly to submit its application.

"There will be a spirited competition for the dollars," said Jim Greenberger, a Chicago lawyer who is a founder of the consortium. "Everyone and his mother will be putting in an application as far as we can tell."

Other bidders for federal money, Powers said, are expected to include collaborative efforts between Massachusetts-based A123 Systems Inc., which makes lithium-ion batteries, and the Massachusetts Institute of Technology; Johnson Controls Inc., a leading maker of conventional car batteries, and Saft, a French company that develops advanced batteries; the State of Michigan

and a new organization called the National Automotive Center; and the American subsidiary of LG Group, a major business conglomerate based in South Korea.

Bill Ott, CEO of ActaCell and a board member of the consortium, said he was told that the Energy Department is likely to divide the grant money among several applicants. That might force the consortium to scale back the size of its proposed project.

Backers of the project are seeking help in the Texas Legislature to enable matching funds for this and other clean tech projects.

State Rep. Mark Strama, D-Austin, has introduced a bill that would enable the state to use part of its so-called rainy day fund revenue reserve for matching competitive federal grant awards. Making such matching funds available, Strama said, could help Texas win larger federal grants.

"It enhances our chances of attracting more of that money if we put some skin in the game too," Strama said. The bill would limit the state to putting forward \$1 for every \$3 of federal grant money and would cap state matching funds at \$1 billion.

The consortium says that it is looking for a wide variety of state and local incentives to help pay for the project and to get it up and running quickly. Those incentives could include a range of offers such as free land, expedited permitting and "political support and influence in Washington," according to the letter to Perry.

Austin City Council Member Brewster McCracken said the project could help the area develop a promising new technology sector.

"The biggest technological barrier for clean energy is energy storage, and that means the biggest economic opportunity is also in energy storage," he said. "This is a chance to become the manufacturing and innovation capital" for energy storage solutions in transportation and other markets.

Austin, San Antonio and other communities along the Interstate 35 corridor have joined together to call themselves the Texas Greenbelt Coalition. All of them are hopeful of attracting green jobs.

"We feel like we have things to offer to solar folks, as well as to clean, green, renewable technologies," said Rusty Brockman, economic development director for the New Braunfels Chamber of Commerce.

Carlton Schwab, director of the Texas Economic Development Council, said he thinks the battery development effort could pay dividends for much of Texas.

"We've got a great opportunity here, and we are getting it to the forefront thanks to Pike," he said. "Hopefully, we can take advantage of this."

Battery bid

An industry consortium is seeking \$1 billion in federal money to pay for a battery development and collaborative manufacturing center.

Key elements of the plan

Build or occupy three buildings that total 1.5 million square feet

Employ 2,500 or more people over five years.

Develop and make cells for lithium-ion batteries for hybrid electric vehicles

The consortium asks states competing for the project to offer:

Free or very cheap land for a plant site

The completion of permits and other approvals by April 30

Waivers or rebates on sales and property taxes

Loan guarantees

Low-interest, long-term loans for equipment purchases

Preferential electric rates

'Political support and influence' in Washington

Courtesy of JB Goodwin