

Congress of the United States
Washington, DC 20515

May 19, 2009

The Honorable Steven Chu
Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

RE: Recovery Act-Electric Drive Vehicle Battery and Component Manufacturing Initiative
(DE-FOA-000028)

Dear Mr. Secretary:

We are writing to express our united support for the full consideration of the applications submitted to the Department of Energy by some of the most innovative and knowledgeable firms, collaborations and individuals from Michigan, which is home to an unparalleled expertise and experience in deploying large-scale new manufacturing technologies.

The American Recovery and Reinvestment Act included \$2 billion for grants for manufacturing of advanced batteries and electric motors and electronics. The purpose of this funding is to invest in vital home-grown technologies and job creation in a new industry essential to jump start the development of a U.S. manufacturing base for batteries and to accelerate development and commercialization of reliable, safe and affordable electric drive vehicle systems. This new grant program is also viewed as a vital component of reducing dependence on foreign fuels, lowering vehicular emissions and helping vehicle manufacturers meet higher fuel economy standards.

Michigan is uniquely prepared to offer an American-led solution that meets these important goals. While Michigan's auto industry is facing historic challenges, this is also a time of unprecedented opportunity for our highly skilled workers to take a leadership role in meeting critical national needs. Nine of the world's top original equipment manufacturers (OEMs) and 46 of top 50 global suppliers have significant investments in our state, much of those now focused on developing zero or near-zero emission vehicles of the future. Our skilled workforce will also bring unmatched technical expertise that will give Michigan battery manufacturers a significant advantage over their competitors.

To support these manufacturers in their efforts, our state government colleagues, on a bipartisan basis, have taken aggressive action to organize our considerable research, development and manufacturing assets, including passage of unmatched state-level incentives to further leverage federal advanced energy investments. These incentives include \$700 million in state tax credits for battery pack manufacturing, research and development, engineering and construction of production-scale battery plants. Utilizing these tax credits,


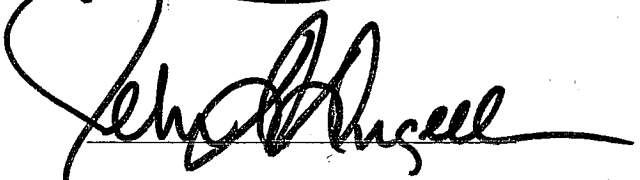
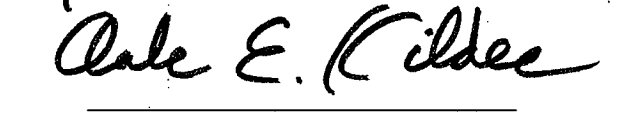
four companies announced plans last month to invest more than \$1.7 billion to launch advanced battery manufacturing in Michigan. On April 14, 2009, Governor Granholm announced the four companies awarded state refundable tax credits as:


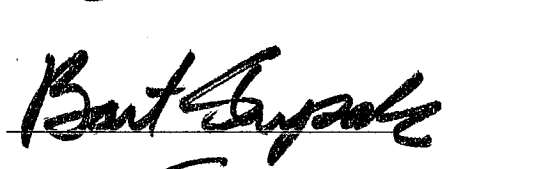

- Johnson Controls-Saft Advanced Power Solutions (JCS), together with Ford Motor Company
- LG Chem-Compact Power, together with General Motors
- KD Advanced Battery Group, a joint venture of The Dow Chemical Company, Kokam America, Inc and Townsend Ventures LLC
- A123 Systems, together with Chrysler LLC

In addition, Michigan is already stimulating second-generation lithium-ion technology development through a Centers of Energy Excellence program, one of which includes the University of Michigan spinout Sakti3, and has formed various alliances with other academic and governmental entities including Oak Ridge National Laboratory and the U.S. Army Tank-Automotive Research, Development and Engineering Center (TARDEC). These alliances position the United States to take immediate advantage of Michigan's strategic assets to establish the supply chain needed to support cell manufacturers, their suppliers, and vehicle OEMs. This supply chain will allow faster deployment throughout the product life cycle, from battery material development to recycling, reuse and reclamation.

In summary, Mr. Secretary, establishing a North American battery center of gravity in Michigan will significantly improve the federal government's ability to more swiftly meet its ambitious vehicle electrification goals, and will pay dividends across the industrial Midwest through development of a strong supply chain. As the Department begins its review process, it is clear that our nation needs to 'get it right the first time' in deploying these recovery grant dollars. We urge you to strongly consider the importance of deploying the unmatched abilities and resources being offered to you from a state that has time and again persevered through regional and national challenges.

Sincerely,

Fred Galt

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