

ENERGY LEADERSHIP IN A TIME OF NEED: A BLUEPRINT FOR STATES

The passage of the One Big Beautiful Bill Act (OBBBA) has shocked the U.S. economy, which was experiencing record investments in new affordable energy projects, improving home and business access to efficient products, and supercharging domestic clean manufacturing. Energy Innovation projects the energy provisions in the OBBBA will cost American households and businesses \$170 billion in higher energy bills, shrink U.S. GDP by \$1.1 trillion, and cost 790,000 jobs by 2035.

This Blueprint for States provides a starting place for state policymakers to develop rapid responsive strategies lead where the Federal government has failed. Our Blueprint shows how, regardless of budgetary flexibility, states can take immediate action to continue attracting private-sector investments, deploying lower-cost clean energy, protecting U.S. households from rising costs, and restoring economic opportunities for their constituents.

NO-REGRETS ACTION 5: STIMULATE INVESTMENTS IN NEW CLEAN INDUSTRIES

States that expand their clean industries stand to benefit from stronger local economies, growth in high-paying manufacturing jobs, spillovers from supporting innovation, and improved public health outcomes from cleaner air. U.S. manufacturers that clean up their operations will also benefit from capturing more global market share—as they will be more competitive in a world with increasing carbon-based border tariffs, international agreements to slash emissions, and climate-conscious buyers—as well as improving their process control and keeping workers safe. States



can seize this opportunity by attracting clean industrial project development, with policy support ranging from financial incentives to direct access to land and clean energy.

In recent years, the federal government has taken pioneering steps to overcome these obstacles, but the current administration and Congress have backtracked, leaving clean industrial projects without the support they need to secure private investment and continue forward. For example, the Department of Energy cancelled cost-sharing grants for 18 of 28 clean industry projects in recent months. These industrial firms spent considerable resources to design and plan for these projects and are eager to continue them—states can support the development or relocation of these projects by proactively reaching out and provide funding, regulatory support, and technical assistance. Still other projects that missed out on federal funding are waiting for state policy support to pick them up.

84 percent of industrial fossil fuel use is dedicated to process heating: heat used in manufacturing steps to produce goods. Nearly all industrial process heat can transition to electric technologies, granting them access to cutting edge technologies and global marketplaces for cleaner products.

Industrial thermal batteries stand out as a promising technology for inexpensively electrifying high-temperature industrial process heat, as they can opportunistically convert low-cost electricity like wind and solar to heat, then store it for hours or days for use when it's needed. In limited but important instances, low-carbon hydrogen, biofuels, and carbon capture can help slash emissions where electric technologies are not yet feasible, such as by using hydrogen to purify iron ore for steelmaking or capturing process emissions from the calcination of lime in cement production.

Firms face regulatory and commercial barriers that can only be overcome with policy support. One class of policies helps overcome the initial higher costs of producing advanced industrial products, whether by covering some of the cost of clean heat production or helping cover upfront capital costs. In addition, without access to very low-cost clean electricity, most electric heating and hydrogen production technologies face high operating costs relative to fossil fuels. Other state policies can help bring together low-cost electricity with new technologies that convert it to heat, hydrogen, or other mediums that supply industrial customers. While many of these technologies are in early commercialization stages, states have an opportunity to create a competitive advantage for the next wave of clean industrial production, bringing local economic development benefits through jobs and tax revenue, especially in areas that depend on aging fossil fuel infrastructure.

Policy Action	Policymaker	Impacts State Budget?
Help industrial firms cover the operating cost premium for clean manufacturing with tax credits (e.g., a clean heat production tax credit), green public procurement programs, or the redirection of existing economic development funds.	Governor, legislature, state commerce office or treasury	Yes

Policy Action	Policymaker	Impacts State Budget?
Streamline siting and permitting to support industrial parks that co-locate industrial facilities with clean energy generation, energy storage, and shared infrastructure.	Governor, legislature, department of environment, economic development authority, utility regulators,	No
Develop electricity rates and tariffs that enable industrial customers to use electricity flexibly and/or utilize off-grid renewable energy.	Utility regulators, utilities	Yes
Create co-manufacturing hubs where researchers and clean industrial firms can collaborate to prototype and validate early-stage technologies.	Governor, legislature, economic development authority	Yes
Offer cost-sharing grants to support large-scale demonstrations that help commercialize promising industrial decarbonization technologies.	Governor, legislature	Yes
Provide targeted support for truly clean hydrogen for use in refining, fertilizer, steel, chemicals, and e-fuels for marine shipping and aviation (and protect against its use in buildings and road vehicles).	Governor, legislature, utility regulators	Yes
Proactively assess hydrogen's role in the energy sector to clarify regulations that enable its prudent production and use while protecting utility customers from cost, health, and safety risks.	Utility regulators, state energy office	No

Additional resources:

- [Overcoming All Barriers to Industrial Electrification](#) (Energy Innovation)
- [Thermal Batteries: Decarbonizing U.S. Industry While Supporting A High-Renewables Grid](#) (Energy Innovation)
- [Energy Parks: A New Strategy To Meet Rising Electricity Demand](#) (Energy Innovation)
- [Renewable Energy Parks: An Economic Development Strategy For Pueblo, Colorado](#) (Energy Innovation)
- [Hydrogen Policy's Narrow Path: Delusions & Solutions](#) (Energy Innovation)

- [Regulating Hydrogen: A Primer for Energy Regulators](#) (Energy Innovation and the Regulatory Energy Transition Accelerator)
- [Design Guide to State and Local Low-Carbon Concrete Procurement](#) (Natural Resources Defense Council)
- [Lessons Learned from California Buy Clean](#) (Third Way)
- [Policy Options to Decarbonize Ocean-Going Vessels](#) (University of California Berkeley Goldman School of Public Policy)
- [Advancing Zero-Emissions Fuels in Washington's Shipping Sector: Roadmap to 2050](#) (RMI)

Example policies:

- [Clean Heat Production Tax Credit](#) policy design brief (Energy Innovation)
- Colorado's [Clean Hydrogen Tax Credit](#)
- [California's Buy Clean California Act](#)
- [Colorado's Buy Clean Colorado Act](#)
- [New York's Buy Clean Concrete program](#)
- Washington's [Climate Commitment Act](#) designates "priority infrastructure zones" and fast-tracks siting and approval for industrial decarbonization projects.
- California's [demand flexibility proceeding](#)
- Colorado's [Advanced Industries Accelerator](#)
- Pennsylvania's \$396 million [RISE PA program](#)

Energy Innovation has policy experts to help state policymakers go deeper into which policies can best accomplish their state goals.

Contact us: Industry@energyinnovation.org