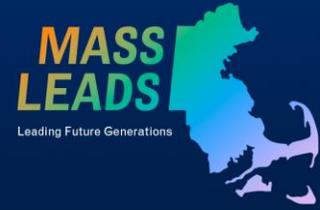


# AN ACT RELATIVE TO STRENGTHENING MASSACHUSETTS' ECONOMIC LEADERSHIP



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## *Climatetech*

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### Introduction

Massachusetts is uniquely situated to be a global leader in the burgeoning climatetech industry. As a state that is committed to advancing strong public policy to confront the existential threat of climate change and boasts a world-class talent pool, Massachusetts must seize the opportunity to catalyze new leadership in the climate technology sector. By creating an environment that nurtures climatetech innovation and deployment, Massachusetts can serve as the birthplace of critical technologies needed globally to confront the climate crisis. This is also an opportunity to create new jobs and strengthen the state's economy.

Already, the state is home to a dynamic and robust innovation ecosystem with expertise in the commercialization of new technologies. With an intentional and thoughtful strategy from state government, this sector can flourish in Massachusetts. This state's innovation driven economy can take new ideas and inventions and make them accessible to the world, thereby reducing emissions, lowering costs, and generating uptick in the adoption of new climate technologies around the globe.



The Healey-Driscoll Administration believes strongly that Massachusetts can lead the world in climatetech innovation, while ensuring equitable opportunities for its residents, particularly those who have been left out of other innovation sectors. To get there, we must invest and commit to making a

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difference. To that end, we are excited to announce a new ten-year, \$1 billion strategy to make Massachusetts the climate innovation lab for the world.

### **The Climatetech Vision**

To achieve this ambitious goal, MassCEC needs to scale up its programming in order to meet the state's climate goals and capitalize on this economic development opportunity. Scaling programs requires sustained predictable investment over a period of years, and sustained funding is needed to ensure programs can be maintained in the long-term. With additional resources, MassCEC, in partnership with the Executive Offices of Energy and Environmental Affairs and Economic Development, can expand its support for investments in infrastructure, equipment, testing and demonstration facilities, commercialization, and deployment of climate technology to make Massachusetts a global leader in climatetech.

### **Climatetech Framework**

- **Capital (\$400 M):** The bill provides significant capital resources to MassCEC over the next ten years. Historically, the quasi-public agency has not been part of the capital investment plan. The bill would change that by proposing the following authorizations:
  - *MassCEC Clean Energy Investments Fund (\$200 M):* Deploy capital resources to support and stimulate research and development, innovation, manufacturing, commercialization, and deployment of climatetech technologies across Massachusetts.
  - *Offshore Wind Industry Investment Fund (\$200 M):* Leverage capital resources to support the development and advancement of the offshore wind industry.
  
- **Tax Incentives (\$300 M):** The bill would authorize \$300 million over ten years for new tax incentives and will continue to encourage the use of the existing Offshore Wind Tax Credit. For Massachusetts to attract and retain climatetech companies, the state must be equipped with the right tools to grow an emerging sector, especially given that the climatetech industry is typically confronted with high upfront costs for capital-intensive technology. This strategy is inspired by the approach outlined in the original Life Sciences Initiative. More specifically, the bill provides the following relative to tax policy:
  - Establishes a new *Climatetech Tax Incentive Program* to enable the state to invest in climatetech companies. This new program would be subject to a \$30 million statutory cap with the annual awards subject to approval by the Secretary of A&F. The credit would develop and expand climatetech industry-related employment opportunities and to promote climatetech-related economic development by supporting and stimulating research, development, innovation, manufacturing, deployment and commercialization in the climatetech sector.
    - MassCEC will administer the program, working closely with the Executive Office of Economic Development, and in consultation with the Department of Revenue. All incentives would be subject to recapture in the event of failure of a certified climatetech company to substantially achieve the new state revenue, job growth and capital investment projections.

- Building off the leadership of the Legislature, the Healey-Driscoll Administration seeks to continue implementation of the newly created \$35 million per year *Offshore Wind Tax Credit*. This bill includes some strategic changes to the program to ensure uptake to spur growth in the sector. Notably, this includes clarifying technical issues relative to the existing five-year refundable credit for a tenant of an offshore wind facility and making smaller offshore wind companies eligible.
- **Operating (\$300 M):** This ten-year strategy contemplates the critical importance of annual operating support through the state budget process. In the FY25 House 2 budget, the Administration supported a \$30 M transfer to MassCEC. Planned operating monies will enable MassCEC to continue to deploy stable programming and initiatives to reach areas that capital programs and tax incentives aren't able to reach. This includes workforce development initiatives, internships, strategic partnerships, and operations.

The bill also includes relevant amendments to the statute, such as incorporating a definition for "climatetech" to expand MassCEC's charge to the broader climate and environmental benefits beyond direct energy impacts.

### **The Time is Now**

This state has all the ingredients to develop a leading global climatetech ecosystem that can drive innovations to fight climate change. There is existing momentum and synergy within this area today.

With existing assets and capabilities, Massachusetts is in a favorable position in many regards. The state's higher education institutions are invested in climatetech research. Massachusetts trailed only California in venture capital investment in this area over the past five years. Residents and advocacy organizations are engaged and deeply concerned about the climate crisis. Elected officials at the state and local level have advanced significant climate policies informed by science.

However, there are several other states that are competing fiercely to capture this space. The competition includes California, New York, Colorado, Texas, and the list is growing. All of these states have made sizeable investments to support climatetech companies. With historic levels of climate-related federal funding available, the stakes are even higher.

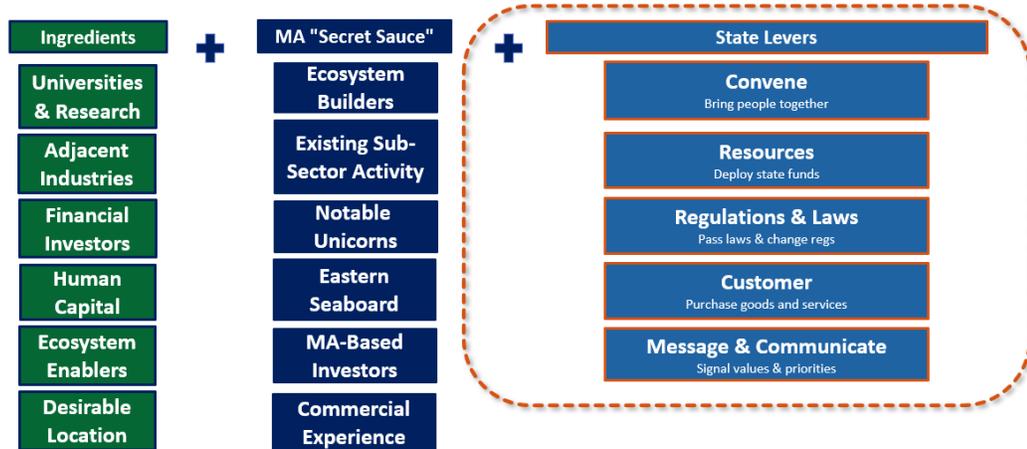
This state can leverage existing momentum as it strives for world leading industry status, just as it did with Life Sciences Initiative. To establish a leading position, Massachusetts must be aggressive and strategic with its investments. With an action plan and meaningful resources, Massachusetts can focus on the acceleration of commercialization and deployment, and support workforce development. Through urgency and intentionality, this climatetech proposal aims to advance a step change that ratchets up the state's commitment to growing this cluster across Massachusetts.

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### **The Playbook**

Using the blueprint that led to success in the life sciences industry, Massachusetts can leverage existing strengths to make the state the global leader in the climatetech industry.



The opportunities in the two industries are similar: They are both large global markets with fast growth trajectory. Yet, the window is closing on seizing the opportunity to catalyze new leadership around the climatetech sector.

The investments outlined above will indicate to the world and industry that Massachusetts is committed to climatetech. Change does not occur overnight. It took time to become the global life sciences hub. This proposal puts us on the path in pursuit of the same aspiration so that Massachusetts can lead future generations.