

State Best Practices Guide

for Decarbonizing the Industrial Sector

December 2022

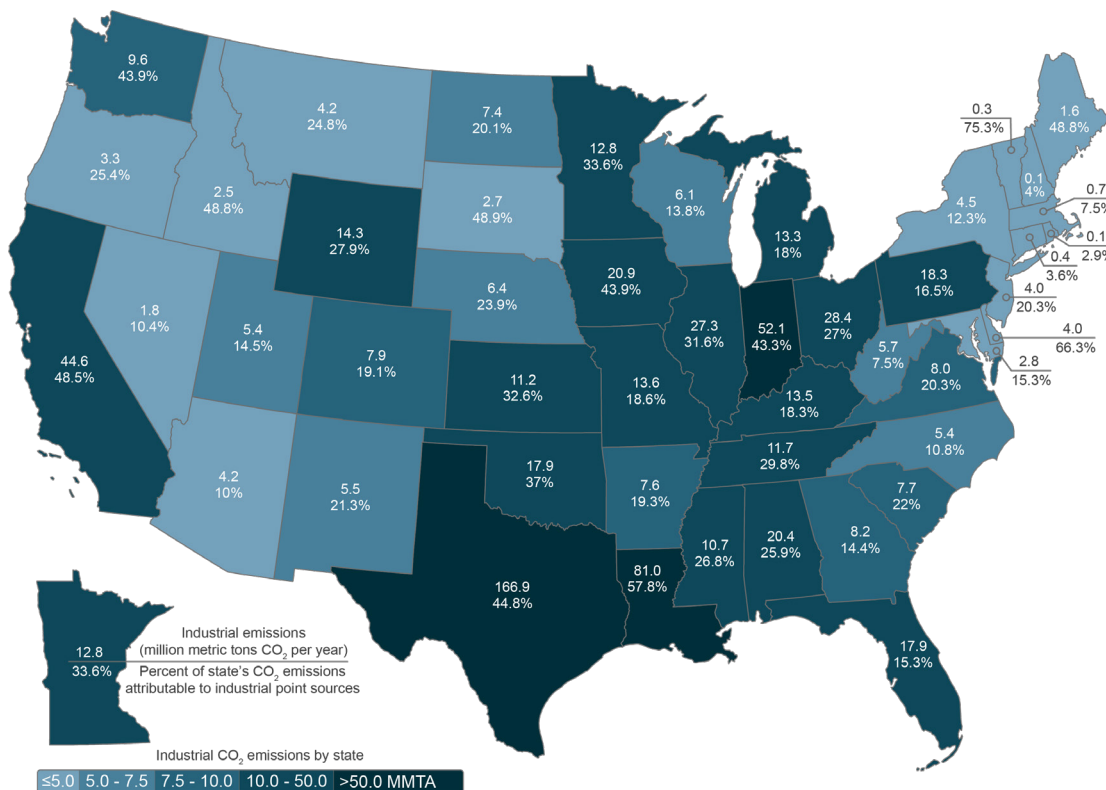


Industrial Innovation Initiative

States will play a critical role in reducing US industrial emissions. Supported by the recent influx of federal funding, states can create a regulatory and policy landscape that spurs local implementation, drives private investments, and complements federal incentives.

Industrial decarbonization is a challenge that will only be overcome should states support a full suite of policy solutions. The challenge is multifaceted. Facilities in different sectors and regions have unique needs when decarbonizing. Figure 1 shows the relative proportion of US industrial emissions on a state-by-state basis.

Figure 1. Industrial Emissions by State as a Percentage of Total State Emissions



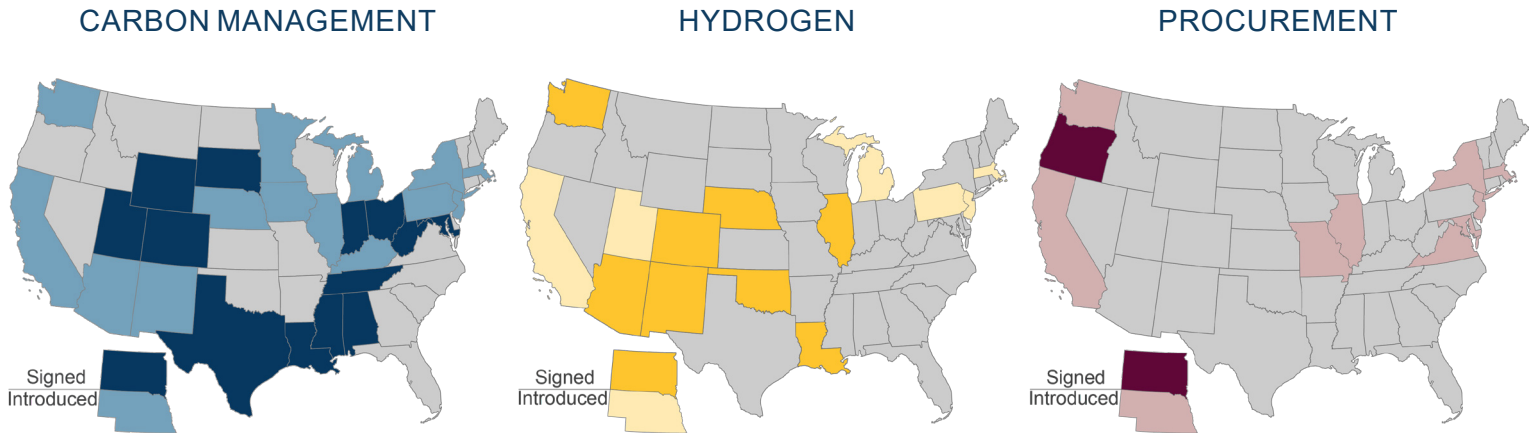
While there is no one-size-fits-all solution, carbon management, clean hydrogen, low-carbon procurement, electrification, and efficiency policies cut across industrial sectors and can be mixed and matched to greatly reduce a state's industrial emissions. Regardless of the state's available resources or emissions profile, cross-cutting statewide planning and workforce development will also be critical considerations for equitable decarbonization.

Note: Each state in the US has a unique emissions profile. While some states may have a larger share of emissions from the industrial sector, every state will need to consider these emissions when planning for statewide decarbonization.

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Figure 2. 2022 Legislation in States by Key Topic Areas



Source: Great Plains Institute analysis based on data from Industrial Innovation Initiative, July 2022 [Legislative Digest](#) (December 2022).

Note: Over the course of 2022 legislative sessions, states made progress in three key policy areas critical to advancing industrial decarbonization: carbon management, hydrogen, and procurement. While electrification and efficiency, statewide planning, and workforce development policies are more difficult to track, they are no less important to the overall progress that has been made to advance industrial decarbonization on a state-by-state basis.

The approaches described in this guide outline state policy options and current best practices that can help scale up industrial decarbonization solutions and positively affect local communities throughout the value chain. From retrofits to fuel switching, industrial decarbonization will have far-reaching upstream and downstream impacts on local jobs, health, and economies.

How to Use This Guide

The following fact sheets provide a starting point for decision makers and advocates seeking to develop an industrial decarbonization policy framework. Each state must tailor its policies to best suit the unique assets and needs of its region; however, many lessons may be learned from looking to states which have already passed decarbonization legislation.

This publication pairs high-level policy considerations with examples to demonstrate the kinds of policy language and regulatory structures in use or under consideration across the United States. The topics covered herein are not in order of priority nor exhaustive but should be viewed as a menu of options from which a state may mix and match to suit its needs.

Industrial Innovation Initiative (I³) staff developed this resource with input from I³ participants. I³ is an ambitious coalition that aims to drive emissions reductions through policy change, supporting quality jobs and investment in key US industrial sectors. Co-convened by the Great Plains Institute and World Resources Institute, I³ builds on years of stakeholder engagement and work with state officials in the Midcontinent region, as well as extensive work advancing decarbonization solutions important to the industrial sector. For more information, visit industrialinnovation.org.

Labor & Workforce Development

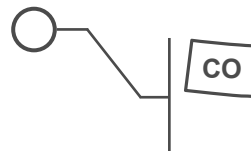


Investments in industrial decarbonization must be done in a way that benefits workers and prioritizes local communities. The recommendations in this section borrow generously from BlueGreen Alliance’s [State-Based Policies to Build a Cleaner, Safer, More Equitable Economy](#), which provides a more expansive review and set of definitions for state wage, labor, and workforce best practices.

Regulatory policies and planning

States can craft policies that ensure industrial decarbonization goes hand in hand with the growth of good union jobs. In setting industrial decarbonization priorities, states can rely on various policy tools to grow the clean economy’s high-road workforce.

- Adopt project labor agreements (PLAs), which are collective bargaining agreements covering all craft workers on a construction project. When a state government plans a project, it can make PLAs a condition of being awarded a contract, requiring the contractor to sign the negotiated PLA with the relevant union organizations before being hired.



Enacted [SB 19-236](#), directing the Public Utilities Commission to evaluate new energy utility construction proposals based on project employment metrics.

- Negotiate community workforce agreements (CWAs), which often include community organizations and reflect broader community interests.



In addition to the collective bargaining aspects of a PLA, CWAs frequently include local hire provisions, targeted hire of low-income or disadvantaged workers, and the creation of pre-apprenticeship pathways for careers on the project.

- Use local hire provisions to mandate or incentivize the hiring of workers on a project from within the state or community where the project takes place.

- Utilize targeted hire provisions of state law or community workforce/community benefit agreements for a project to mandate or incentivize the hiring of workers from certain communities (e.g., Native nations, economically disadvantaged communities, and communities impacted by climate change, among others.)



Enacted [SB 5116](#), establishing a 100 percent sales tax exemption for renewable energy projects if the project is developed under a community workforce agreement or project labor agreement.

- Rebalance the power dynamic between workers trying to organize a union and their employer with organizing rights provisions and negative determination. Negative determination disincentivizes hiring contractors who have previously violated labor, wage, or other regulations.

Labor & Workforce Development

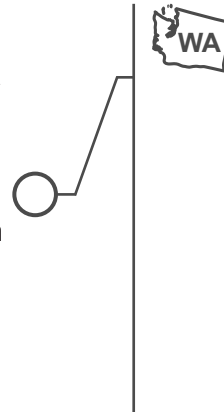


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Financial mechanisms

Incentives or requirements for contractors to pay prevailing wage on a project can be coupled with worker benefits requirements to attract high-road contractors, ensure long-term economic benefits to a community, and create a level playing field for contractors.

- Establish a prevailing wage for public works projects, which sets a wage floor for each occupation that all contractors on a project must pay at or above. This policy is limited to workers employed in the construction industry.
- Create worker benefits requirements that set a minimum standard for health, retirement, and other benefits that must be given to workers on a project.

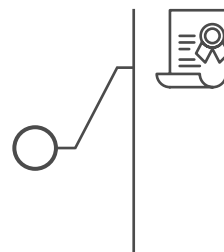


Enacted [SB 5116](#), establishing a 75 percent sales tax exemption for renewable energy projects compensating workers at prevailing wage rates determined by local collective bargaining as determined by the department of labor and industries.

Training programs

Workforce training needs will vary based on the types of industrial facilities present in a state, making state governments effective implementors of and funders for such programs.

- Develop partnerships with universities, colleges, and training programs that focus on industrial electrification, energy efficiency, and low-carbon technologies.
- Identify and engage transitioning, affected, and disadvantaged communities, targeting programs with the potential for high workforce development.
- Partner with Industrial Assessment Centers to conduct energy audits at facilities.
- Utilize union apprenticeships and pre-apprenticeship programs as key avenues for training workers. Apprenticeship utilization standards require a certain percentage of a project's workforce to be enrolled in or have graduated from an apprenticeship program and typically favor union contractors.



The **Inflation Reduction Act of 2022** provides \$200 million in grants through 2031 for states to develop and implement energy efficiency workforce training.

