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NEWS

Michigan's risky $1B electric vehicle bet looks bleak, but story isn't finished yet

By Kurt Nagl March 12, 2026 05:46 AM EDT

An Our Next Energy worker tests a slurry of electrode and cathode battery materials at the company's facility in Van Buren Township, where it has pivoted from EV batteries to utility grid storage to making batteries for defense and rail industries. (Nic Antaya/Crain's Detroit Business)

Michigan could lose tens of millions of dollars on risky electric vehicle bets after a stunning collapse in EV demand, but for a state that chased the business more aggressively than perhaps any other, it could be worse.

That's the takeaway from economic development experts and critics analyzing the fallout from a massively subsidized powertrain push that failed to launch.

Following the Detroit 3 automakers' recent disclosures of EV write-downs and restructuring charges — totaling a whopping $54 billion — the fate of Michigan's more than $1 billion in taxpayer-funded incentives for electrification has come into clearer focus.

Federal policy reversals and shifts in consumer preferences stymied an EV transition that appeared all but certain until recently. As it plays out, Michigan is better protected from the downside on some EV bets than others, a Crain's analysis of contracts shows.

Mega incentive packages for EV and battery factories by Ford Motor Co. and General Motors Co. are tracking for returns on investment in line with job creation requirements and deadlines. That's because, despite a deteriorating EV business case, the automakers are pivoting in a way that aims to utilize the heavily subsidized factories in Michigan. The same cannot be said for some EV plants down south.

The outlook is murkier for deals cut with others. The state is unlikely to get its $1 million back from Bollinger Innovations in Oak Park after that startup's implosion, for example. In a higher-stakes standoff, the state is in a legal fight to get $24 million back from Gotion after pulling the plug on the Chinese battery manufacturer plans near Big Rapids. And officials are hoping that Our Next Energy perseveres to justify the $70 million they sent to that metro Detroit battery startup.

Michigan Economic Development Corp. CEO Quentin Messer vowed in 2022, at the height of the EV frenzy and big SOAR (Strategic Outreach and Attraction Reserve fund) deals, that taxpayer dollars would be protected and that "there is absolutely not a dime that will go out" to companies that fail to "perform."

But "perform" did not necessarily mean create jobs. Rather, cash disbursements were based on capital investment requirements and fundraising goals, in the case of ONE. That means Michigan handed out hundreds of millions of dollars to companies well before they created the promised jobs.

That risk might make sense for hometown automakers, which have century-old track records of doing business with the state, but for startups and unproven companies, that risk tolerance is reckless, critics say. Every deal has clawback clauses, but they are worthless if a company goes under.

"Michigan almost panicked, given the degree to which our statewide brand and psychology is wrapped up in the auto industry," said John Mozena, who leads the government incentive watchdog Center for Economic Accountability. "Our elected officials opened up the checkbook so they would not be accused of losing the EV industry."

For his part, Messer defended how the MEDC handled EV incentives, rolled out aggressively in response to Ford pegging a big part of its EV future to massive new investments in Tennessee and Kentucky rather than its home state. At the time, states were locked in a bidding war for battery plants, and Michigan emerged as the highest spender.

"These big companies were only going to places willing to share that risk," Messer told Crain's last week. "Michigan was not even in the game."

Our Next Energy

ONE CEO Mujeeb Ijaz wants people to know that his battery startup is still alive despite an EV reckoning that nearly killed the Novi-based company and crushed many others, such as Swedish battery maker Northvolt.

Our Next Energy CEO Mujeeb Ijaz said he could never have predicted how various market factors would cause a slide from prized unicorn to the brink of insolvency. (Nic Antaya/Crain's Detroit Business)

But its future looks a lot different than in late 2022, when ONE announced a plan to invest $1.6 billion and create 2,112 jobs at an EV battery plant in Van Buren Township in Wayne County by 2029 — with the help of $237 million worth of incentives from the state.

Since then, the company has exited automotive, along with two-thirds of its factory space in Van Buren, and cut its headcount from a peak of around 270 employees two years ago to 121.

“We have not let go of our goal of meeting the Michigan incentive plan,” Ijaz said on a recent tour of the Van Buren plant, where a low-volume LFP cell production line hummed along, making batteries for a defense customer.

“The matter that we’re working on now is how do we get from the markets we’ve now adjusted to and meet that goal. We don’t have all of that mapped out, but we have not let go of our intention to achieve the milestones in some form.”

ONE spent $147 million on building improvements and production equipment between Van Buren and its Novi factory. The state has paid the company $70 million to subsidize those costs but has since said “no new disbursements will be made under the current agreement.”

To make good on its deal with Michigan, the company needed to make painful decisions such as layoffs and abandoning large-scale expansion plans for the time being, said Ijaz, who remains every bit as passionate about building a U.S. battery company despite ONE’s challenges.

The CEO said he could never have predicted how various market factors would cause a slide from prized unicorn to the brink of insolvency — but the company proved itself at the highest level, he argued. In January 2025, ONE signed a letter of intent with BMW for mass market EV battery pack production, but the automaker backed out four months later as automakers “went into a freeze” amid Trump administration tariffs and policy uncertainty, he said.

That’s when Ijaz decided to exit automotive and put utility grid storage on the back burner, as major players such as LG Energy Solution, Samsung and even Ford Motor Co. rushed the space in response to EV demand drying up.

ONE is now making batteries for the locomotive industry and defense, which it sees as its best bet for scale and profitability. It aims to increase production in Van Buren from 5 to 10 megawatt hours by year’s end; 30 mwh by 2027 and 550 mwh by 2028. It’s an ambitious goal dependent on the traditionally slow-moving U.S. military adopting battery tech. Ijaz plans to move slowly in reaction to the market rather than trying to get ahead of it, which doomed the company's previous EV strategy.

“We were going after hundreds of millions of dollars of contracts with automotive, now we’re going after tens of millions, but we also reduced the company’s footprint and we’re getting to that break-even point by the end of this year,” Ijaz said.

The company is working to raise another round of funds, which would allow it to be self-sustaining going forward, according to the CEO. He declined to provide details on the effort.

While scaling has not gone according to plan, Ijaz argued that the investment in ONE is achieving what it was designed to, albeit at a slower pace.

“This investment is actually showing material value if the goal in Michigan was to build up a domestic supply chain,” he said. “You should see it as, that was the seed, and we’re still growing.”

Gotion

Chinese battery giant Gotion announced in 2022 plans to create 2,350 jobs and invest $2.4 billion for a battery plant near Big Rapids. What was lauded as a rare economic win for rural Michigan devolved into a political disaster due to anti-China sentiment and local pushback.

A rendering shows Gotion's original plan for its $2.4 billion EV factory near Big Rapids. (Gotion Inc.)

Now, the Michigan attorney general is demanding repayment of $24 million awarded to Gotion to buy land for the factory, which the company has refused to do after local and state government scuttled the project.

East Lansing-based economist Patrick Anderson saw it coming when he told Crain's shortly after the announcement three years ago: "I don't like to see our taxpayers taken for a ride, and this thing has a bad smell about it."

The "I told you so" moment should be a lesson to officials to be more diligent about vetting applicants before committing tens of millions of dollars, Anderson told Crain's last week.

"That real sinking feeling started when I read the offering memorandum to the Michigan Strategic Fund board," he said. "There were warning signs that were apparent with some diligence within 24 hours."

Messer said the state is working to protect taxpayer dollars and be the "best fiduciaries we can." He declined to provide details about negotiations with Gotion.

"There continue to be conversations," he said. "We will let the attorneys sort it out. I think all parties are disappointed, but I think all parties want to work toward a resolution."

The Ford BlueOval Battery Park in Marshall is expected to open this year. (Michael Martinez/Automotive News)

Ford and GM

Gov. Gretchen Whitmer’s administration took tremendous criticism when Ford chose Tennessee and Kentucky to invest $11 billion in EV plants and create thousands of jobs there.

The administration responded by winning Ford’s $3.5 billion, 2,500-jobs battery plant in Marshall by dangling a more than $1 billion incentives package, which sparked another round of criticism.

But since then, Michigan has fared comparatively well through the great EV downsizing. When Ford scaled back its jobs commitment in Marshall by 30%, the state negotiated a 60% reduction in incentives.

More importantly, Ford says the plant in Marshall will actually open as planned — no guarantee after the automaker announced a $19.5 billion EV writedown, spurring a mass layoff at a battery plant in Kentucky and uncertainty for a massive new assembly complex in Tennessee. The automaker axed the all-electric F-150 Lightning in Dearborn but has said it will utilize the factory for a future extended-range EV version of the pickup.

The EV demand collapse also imperiled Michigan’s huge investment in GM. The MEDC gave the automaker $666 million in cash incentives before fulfilling job promises at Orion

Assembly and a battery plant in Delta Township. Then, GM scrapped EV plans for Orion and exited its stake in the battery plant.

However, the company is now planning to build high-volume gasoline trucks at Orion, which could create even more than the 2,300 jobs promised, while its “re-re-tooling” work at the factory will result in far more investment than initially planned. The battery plant in Delta Township was taken over by LG Energy Solution, which is aiming to make good on a plan to create up to 1,700 jobs by taking on new customers, including outside of automotive.

It remains to be seen if those commitments will be fulfilled or if the pivots will be successful. Most of the incentive deals cut by the MEDC run through the end of the decade.

The failed EV transition will go down as the “biggest single management blunder of the 21st century,” Anderson argued.

“The state of Michigan’s bets on the rapid transformation have failed just as much as other states, as have the investments by the major OEMs that went all in …” he said. Still, Michigan’s $1 billion EV bet was worth it if it means holding onto its legacy industry, he added.

“We’ve been a leader in the automotive industry for 125 years and we want that to last for another 125 years, so we should be a little more open to invest to maintain our leadership position even if we don’t always get it right.”