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Texas one of several likely locations for Toyota's next \$1.29 billion U.S. battery plant

The factory will manufacture batteries for gas-electric hybrid and fully electric vehicles, and will create 1,750 jobs.



Toyota's North American headquarters in Plano. (Tom Fox / Staff Photographer)

By Dom DiFurio - Oct 18, 2021

Toyota plans to build a new \$1.29 billion factory in the U.S. to manufacture batteries for gas-electric hybrid and fully electric vehicles – and it could land in Texas, already home to the company's North American headquarters.

The Toyota plant location wasn't announced, but the company said it eventually will employ 1,750 people and start making batteries in 2025, gradually expanding through 2031. Toyota's new plant would likely be near one of the company's U.S. assembly plants in Texas, Missouri, Kentucky, Indiana or Alabama.

Toyota has a massive footprint in Texas, with its North American headquarters in Plano and a plant in San Antonio that makes the Tundra pickup truck.

The battery plant is part of \$3.4 billion that Toyota plans to spend in the U.S. during the next decade. It didn't detail where the remaining \$2.1 billion would be spent, but part of that likely will go for another battery factory.

Toyota's announcement will inevitably kick off an economic incentive competition among governments eager to add thousands of well-paying jobs and take part in a historic evolution of the automotive industry in the U.S.

Corporate site selection expert John Boyd Jr. described Toyota's just-announced battery plant as a potential "trophy" and "economic engine" for the state that receives it. And he sees Texas at the top of that list.

"Any diligent, competent site search for electric vehicle production includes states like Tennessee and Texas," Boyd said, "and increasingly Kentucky and Indiana."

But among those, Texas offers Toyota unique advantages in business costs, taxes, synergy, labor talent and access to the global marketplace, according to Boyd.

"Texas is such a unique market given the high in-migration rates and the sheer size of the labor force. It's a labor force that's growing, and that's mitigated a lot of the concerns about inflationary labor costs," Boyd said.

But Boyd, who's worked with other companies in the electric vehicle space, also finds the timing of Toyota's announcement to be opportune for the company if it's interested in Texas for the new battery plant.

In September, Fort Worth was compiling a bid for Amazon-backed electric vehicle maker Rivian's next assembly plant to a plot of ranch land just south of the city. Rivian was expected to make a decision on a site for the \$5 billion investment by the end of the summer, but has thus far been quiet on its plans.

"The big narrative throughout industrial real estate today is it's very difficult to get buildings that are shovel-ready," Boyd said. "We have vacancy rates at all-time lows. So maybe this is an opportunity for [Toyota] to snatch the piece of real estate that Rivian may have found attractive."

The move comes amid a flurry of global announcements about shoring up production of batteries for electric vehicles. Most automakers are working to transition away from internal combustion engines to zero emission battery vehicles.

Stellantis, formerly Fiat Chrysler, and LG Energy Solution said Monday that they plan to build a battery manufacturing facility to help the automaker get 40% of its U.S. sales from vehicles that run at least partly on electricity by 2030. They didn't say where the plant would be.

Also Monday, the Taiwanese company that makes smartphones for Apple and others, Foxconn Technology Group, said it would produce electric cars and buses for auto brands in China, North America, Europe and other markets.

Volvo Cars on Monday unveiled more details of its initial public offering that will fund its ambitious plan to transform into an all-electric vehicle company by 2030. The Swedish auto brand, owned by Chinese carmaker Geely, said the IPO would value the company at 163-200 billion kronor (\$18.8-\$23 billion) when shares start trading Oct. 28.

And Ford Motor Co. announced that it will turn a transmission factory in northwest England into a plant that will make electric power units for cars and trucks sold throughout Europe.

Toyota joins Ford and General Motors in announcing recent large investments in U.S. battery factories. GM plans to build battery plants in Ohio and Tennessee, while Ford has plans for plants in Tennessee and Kentucky.

With the investment, Toyota signals that the pressure to invest in electric vehicle infrastructure is increasing under the Biden administration. Just this summer, the company unveiled its 2022 vehicle lineup at its North American headquarters in Plano saying that it would take a slower approach to electrification of its vehicles.

CEO Akio Toyoda has been critical of governments pushing private manufacturers to adopt electric vehicle technology. Toyoda doesn't push back against the environmental benefits, rather the chief executive has argued that charging infrastructure will need to be developed and that the switch to electric vehicles – which require less workers – will have a disruptive effect on employment in the automotive industry.

Toyota will form a new company to run its new U.S. battery plant with Toyota Tsusho, a subsidiary that now makes an array of parts for the automaker. The company also will help Toyota expand its U.S. supply chain, as well as increase its knowledge of lithium-ion auto batteries, Toyota said Monday.

"Today's commitment to electrification is about achieving long-term sustainability for the environment, American jobs and consumers," Ted Ogawa, Toyota's North American CEO, said in a statement.

Toyota plans to sell 2 million zero emission hydrogen and battery electric vehicles worldwide per year by 2030. In the U.S., Toyota plans to sell 1.5 million to 1.8 million vehicles by 2030 in the U.S. that are at least partially electrified.

Now in the U.S., it offers hydrogen vehicles, hybrids and plug-in hybrids that can travel a relatively short distance on electricity before switching to a gas-electric hybrid powertrain. Toyota says vehicles that operate at least partially on electricity now account for about a quarter of its U.S. sales, and it plans for that to rise to nearly 70% by 2030.

The company says it will have 15 battery electric vehicles for sale globally by 2025. Currently, Toyota offers one battery electric vehicle, the Lexus UX300e, and has teased its forthcoming battery electric vehicle dubbed the bZ4X, though no launch date exists yet.

The Associated Press contributed to this report.