Navigating America's Future: The Inflation Reduction Act's Impact on the U.S. Battery and Clean Vehicle Industries

written by Tracy Hughes | December 4, 2023

The recent announcement by the U.S. Department of the Treasury on the clean vehicle provisions of the **Inflation Reduction Act** marks a significant step towards reshaping the U.S. manufacturing landscape, particularly in the realm of batteries and clean vehicles. This initiative is expected to lower costs for consumers, boost U.S. manufacturing, and strengthen energy security by building resilient supply chains. The Act has already catalyzed nearly $100 billion in private-sector investment across the U.S. clean vehicle and battery supply chain.

Secretary of the Treasury Janet L. Yellen emphasized that the Act has "unleashed an investment and manufacturing boom in the United States." The new guidance aims to ensure that the electric vehicle future will be made in America, aligning with President Biden's commitment to reverse the trend of outsourcing jobs and factories overseas.

The Notice of Proposed Rulemaking (NRPM) outlines the foreign entity of concern (FEOC) requirements, setting the stage for a dramatic shift in the sourcing and manufacturing of battery components and critical minerals. Starting in 2024, eligible clean vehicles cannot contain any battery components manufactured or assembled by a FEOC. By 2025, this extends to critical minerals extracted, processed, or recycled by a FEOC.

Jack Lifton, co-founder of the Critical Minerals Institute, weighed in on these developments. He highlighted the ambitious nature of these mandates and the challenges they pose. “It’s true that the U.S. government has mandated that the composition of domestically made automobiles must be China-free,” Lifton said. He pointed out the complexities of the global supply chain, noting that “today, the United States produces no lithium” and the challenges in sourcing cobalt and rare earths, which are currently predominantly controlled by China and other foreign entities.

Lifton’s insights reveal the monumental task ahead for the U.S. in becoming independent in critical minerals and battery components. He expressed skepticism about the feasibility of these goals in the short term, especially considering the current production capacity of the United States in these areas. “Right now, the total production of rare earth permanent magnets in the United States is exactly zero,” Lifton noted, highlighting the urgency and the scale of the challenge.

Despite these hurdles, Lifton remains cautiously optimistic, suggesting that what we are witnessing might not be a bull market but rather a “male calf market” in the technology metals for EVs. “We are very early on here and we shouldn’t go crazy and say there’s going to be a super cycle or a bull market in technology metal,” he advised. Instead, Lifton foresees a more targeted market in technology metals, shaped by evolving policies and manufacturing capabilities.

Lifton’s perspective offers a grounded view of the ambitious goals set forth by the U.S. government. The path ahead for the U.S. automotive and clean energy sectors is complex and fraught with challenges, but it is also an opportunity for significant transformation and innovation. As Lifton concludes, “I’m watching it very carefully… I’m going to be able to tell you

what’s happening over the next couple of years.” His expertise and the insights from the Critical MInerals Institute will be invaluable as the industry navigates this uncharted territory.