



Notice 2023-0019 Notice of Proposed Rulemaking on Section 30D New Clean Vehicle Credit
The Department of the Treasury and Internal Revenue Service
Via Federal eRulemaking Portal

June 16, 2023

The Japan Automobile Manufacturers Association (JAMA) respectfully submits these comments to the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) in response to the April 17, 2023, notice of proposed rulemaking (NPRM) regarding Section 30D New Clean Vehicle Credit.

Introduction and Background

JAMA is a nonprofit industry association that comprises Japan's 14 manufacturers of passenger cars, trucks, buses, and motorcycles. JAMA's membership includes Daihatsu Motor Corporation, Hino Motors, Honda Motor Corporation, Isuzu Motors Limited, Kawasaki Motors, Mazda Motor Corporation, Mitsubishi Motors Corporation, Mitsubishi Fuso Truck and Bus Corporation, Nissan Motor Corporation, Subaru Corporation, Suzuki Motor Corporation, Toyota Motor Corporation, UD Trucks Corporation, and Yamaha Motor Corporation.

JAMA members have a shared legacy of over 60 years of operation in the United States and play an important role in the growth and sustained success of the U.S. automobile industry, which significantly contributes to the U.S. economy. Japanese-brand automakers have an extensive U.S. manufacturing presence that began in 1982 and now encompasses 24 manufacturing facilities and over \$60.4 billion in cumulative manufacturing investment. As of 2022, nearly one-third of all vehicles produced in the U.S. were made by American workers employed by Japanese-brand automakers. JAMA members also maintain a large research and development (R&D) presence that spans 43 facilities nationwide.

JAMA members continue to have a significant impact on U.S. employment. In 2022, nearly 110,000 Americans were directly employed by Japanese-brand automakers in their

manufacturing and other operations, e.g. headquarters, research and development/design, and parts distribution centers. In fact, direct employment by Japanese-brand automakers has grown by more than 32% since 2012, while overall U.S. manufacturing employment has increased by about 8.5% over the same period. Additionally, 373,000 U.S. workers were directly employed in these automakers' dealer networks in 2022. A recent study indicates that JAMA members' U.S. manufacturing and supporting operations, along with their dealer networks, support 2.29 million private-sector U.S. jobs and account for over \$197 billion in total compensation.¹ Japanese-brand automakers remain among the largest job creators in the U.S.

U.S. – Japan Critical Minerals Agreement

JAMA members' U.S. investments and historical presence have also greatly contributed to the economic partnership between the U.S. and Japan. The U.S. and Japan are staunch allies with longstanding common security interests and a vibrant bilateral economic and trade relationship. Given that Japan is the largest foreign investor in the United States and the U.S.' fourth largest trading partner, the economic ties remain robust and continue to grow.

This year, the U.S.-Japan alliance has been on full display with Prime Minister Kishida's state visit to the U.S. in January 2023 and President Biden's participation in the G7 Summit in Hiroshima (May 19-21, 2023). The two countries are also moving forward on coordinated efforts to address supply chain resiliency through other various multilateral and bilateral channels, including the Indo-Pacific Economic Framework for Prosperity (IPEF) and the U.S.-Japan Competitiveness and Resilience (CoRe) Partnership, both announced in May 2022.

Building on this strong partnership, the *Agreement Between the Government of the United States of America and the Government of Japan on Strengthening Critical Minerals Supply Chains* was established on March 28, 2023. JAMA is encouraged by this agreement and its timely development speaks to the strength of the partnership between the U.S. and Japan as well as the mutual alignment on the importance of supporting resilient supply chains to help meet the growing demand for critical minerals necessary for electrified vehicle battery production. As such, JAMA understands that given this agreement, Japan will be treated as

¹ "The Contributions of the Japanese-brand Automakers to the United States Economy-May 2023 Update" (<https://www.jama.org/the-contribution-of-the-japanese-branded-automotive-industry-to-the-united-states-economy-may-2023/>) (May 16, 2023) (accessed May 24, 2023).

equals with other countries that have free trade agreements with the U.S. for the purpose of the clean vehicle tax credit's critical minerals requirement (Section 30D(e)(1)(A)). The agreement is a positive step forward toward diversifying and adding capacity to the EV supply chain. However, building and operationalizing new facilities takes time, and the timelines associated with Section 30D's critical minerals requirements remain very challenging. JAMA continues to support the alignment of key environmental and economic security goals to help further reinforce the U.S.-Japan alliance.

Electrification

Japanese-brand automakers are dedicated to a carbon neutral future and are deeply committed to the transition to electrified vehicles.² JAMA members have a long history of leadership in environmentally friendly and electrified vehicle technologies in the U.S. market. Currently, Japanese-brand automakers represent over 50%³ of all electrified vehicles in the U.S. JAMA members have plans to bring 100 different electrified models to market by 2030 to provide consumers with the electrified vehicle choice that best fits their lifestyle and needs.^{4,5,6}

JAMA believes consumer access to flexible incentives should be maximized to provide consumers with an array of clean vehicle choices that can strengthen momentum toward the ultimate shared goal of decarbonization. The following notes areas of improvement to work toward this shared goal:

- The benefit of the 30D credit is diminished by the North American assembly requirements imposed by the Inflation Reduction Act (IRA), as it limits consumer choice. This reduces

² JAMA recognizes electrified vehicles as hybrid electric vehicles (HEV), plug-in hybrid electric vehicles (PHEV), battery electric vehicles (BEV) and fuel cell electric vehicles (FCEV).

³ Based on 2022 Wards Automotive Sales Data, calculated using the share of Japanese-brand HEVs, PHEVs, BEVs and FCEVs sold in the U.S. over the last 12 years. 12.5 years is the average age of vehicles on the road according to Kelley Blue Book (<https://www.kbb.com/car-news/average-american-car-now-12-5-years-old/>) (May 16, 2023) (accessed May 24, 2023).

⁴ "Summary of Honda Briefing on Automobile Electrification Business" (<https://hondanews.com/en-US/releases/release-3db80816ae3d093c5b3d3122fc06db68-summary-of-honda-briefing-on-automobile-electrification-business>) (April 11, 2022) (accessed on May 24, 2023)

⁵ "Nissan unveils Ambition 2030 vision to empower mobility and beyond" (<https://global.nissannews.com/en/releases/nissan-ambition-2030-vision-to-empower-mobility-beyond>) (November 29, 2021) (accessed on May 24, 2023)

⁶ "Toyota Charges into Electrified Future in the U.S. with 10-year, \$3.4 billion Investment" (<https://pressroom.toyota.com/toyota-charges-into-electrified-future-in-the-u-s-with-10-year-3-4-billion-investment/>) (October 18, 2021) (accessed on May 24, 2023)

the credit's effectiveness in increasing the rate of consumer adoption of clean vehicles, which is defined by the IRA in Section 13401(c) as battery electric vehicles (BEV), plug-in hybrid vehicles (PHEV), and fuel cell electric vehicles (FCEV). Therefore, JAMA continues to assert that vehicles assembled in Japan should be treated as eligible for the 30D credit.

- With the aim of diversifying EV supply chains, especially amongst allied nations and strategic partners, JAMA continues to underscore that battery components manufactured in Japan should be included in the calculation to determine eligibility for the clean vehicle credit. This will also help meet the need for additional capacity as Japanese-brand automakers invest and bring battery manufacturing investments online in the U.S.
- The assessment of consumer adoption of clean vehicles, for both the government and industry's benefit, would be aided by clear and timely guidelines relating to the "Foreign Entity of Concern" (FEOC) requirements/timelines.
- Regarding the reference to a "more stringent test" to determine compliance with the critical minerals requirements within 30D for vehicles placed in service after December 31, 2024, JAMA welcomes the opportunity to assess the justification(s) and proposals for this test.
- Under step one of proposed § 1.30D-3(b), which would provide a four-step process for determining the percentage of the value of the battery components in a battery that contribute toward meeting the battery components requirements, JAMA seeks clarification on the definition of "substantially all."

As JAMA looks forward to the continued efforts to improve policies that enhance consumer choice of electrified vehicles, JAMA members continue to contribute to U.S. economic competitiveness in the broader, global transition to electrified vehicles. In addition to Toyota investing \$3.8 billion in Toyota Battery Manufacturing North Carolina (TBMNC), which is scheduled to begin production in 2025⁷, Toyota is also investing \$1 million in North Carolina schools which will fund Science, Technology, Engineering, Art, and Math (STEAM) education

⁷ "Toyota Selects North Carolina Greensboro-Randolph Site for New U.S. Automotive Battery Plant" (<https://pressroom.toyota.com/toyota-selects-north-carolina-greensboro-randolph-site-for-new-u-s-automotive-battery-plant/>) (December 6, 2021) (accessed on May 24, 2023).

programs and support services for students.⁸ In March 2023, Honda provided new details concerning its October 2022 joint venture announcement with LG Energy Solution to build an EV battery manufacturing facility in Ohio as part of Honda's Ohio EV Hub. The two companies have committed to investing \$3.5 billion in the battery facility, with the overall investment projected to grow to \$4.4 billion, and the plant is expected to come online in 2025. Honda has also announced details of how three key legacy manufacturing facilities in Ohio will be transformed to support its U.S. EV production, with the expectation to maintain stable employment across all locations.⁹

Nissan, which has been producing the LEAF BEV and its battery since 2013 at its Smyrna, Tennessee manufacturing facility, continues to focus on upskilling nearly 2,700 jobs at its Canton, Mississippi plant as part of a \$500 million investment to produce two all-new BEVs starting in 2025.¹⁰ In addition to the above examples, JAMA members have partnered with key stakeholders in the charging infrastructure space to ensure consumers across America have access to charging stations; continue to focus on efforts to work through their dealership networks to ready consumers for this transition; and have been exploring ways to ensure batteries can be recycled in a responsible and efficient manner.

Conclusion

JAMA members' longevity in the U.S. continues to have, exponential and generational economic and social impacts on communities throughout the U.S. In turn, Japanese-brand automakers' U.S. investments have helped fortify the underlying foundation of the U.S.-Japan partnership. These investments have also contributed to the significant development of the U.S. automotive workforce. JAMA members remain committed to working toward carbon neutrality, a shared goal between the U.S. and Japan, with a steady focus on an electrified future. JAMA supports policies that maintain a competitive business environment and maximize consumer

⁸ "Toyota Invests \$1 Million to Enhance Workforce Readiness in North Carolina" (<https://pressroom.toyota.com/toyota-invests-1-million-to-enhance-workforce-readiness-in-north-carolina/>) (September 24, 2022) (accessed on May 24, 2023).

⁹ "Honda Announces Next Steps in Preparation for U.S. EV Production" (<https://hondanews.com/en-US/releases/release-12495c0b4667b72080947b485f00c067-honda-announces-next-steps-in-preparation-for-us-ev-production>) (March 14, 2023) (accessed on May 24, 2023).

¹⁰ Nissan to build two all-new, all-electric models at Mississippi assembly plant" (<https://global.nissannews.com/en/releases/release-ea2ada92a067df51a78ce3a3b21acfc6-nissan-to-build-two-all-new-electric-models-at-mississippi-assembly-plant>) (February 17, 2022) (accessed on May 24, 2023).

choice and hope for future policy changes that will help advance automakers' global decarbonization efforts and encourage consumer adoption of electrified vehicles.

We respectfully submit these comments for consideration and review. JAMA stands ready to serve as a resource on any questions related to the Japanese automotive industry's historical and current investments, as well as its robust activities in the United States.