



Notice 2023-26513 Notice of Proposed Rule on Section 30D Excluded Entities
The Department of the Treasury and Internal Revenue Service
Via Federal eRulemaking Portal

January 18, 2024

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 December 4, 2023, notice of proposed rulemaking (NPRM) regarding Section 30D Excluded Entities.

JAMA appreciates the efforts to provide additional clarity on the rulemaking's proposed requirements pertaining to excluded entities within Section 30D. However, JAMA does have points for consideration about the proposed rule located on page 4 of this submission.

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. JAMA members also maintain a large research and development (R&D) presence that spans 43 facilities located across the country. 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. Additionally, JAMA members' U.S. manufacturing and supporting operations, along with their dealer

networks, support 2.29 million private-sector U.S. jobs.¹ Japanese-brand automakers remain among the largest job creators in the U.S.

JAMA Members are Committed to an Electrified and Carbon Neutral Future

Japanese-brand automakers are dedicated to a carbon-neutral future and are deeply committed to the transition to electrified vehicles.² Currently, Japanese-brand automakers represent an estimated 50%³ of all electrified vehicles on U.S. roads, and 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. JAMA members are also committed to preparing their current workforce as well as the workforce of the future to build and maintain these new vehicle technologies for years to come. Japanese-brand automakers' efforts also extend beyond investments in manufacturing and include the whole electric vehicle (EV) ecosystem, such as charging and battery technologies, battery recycling, infrastructure, and community-based programs to ensure equal access to electrified vehicles. Some of these initiatives, which will come online over the next several years, are outlined in Appendix 1.

The Current EV Supply Chain Landscape is Complex

Globally, the auto industry is currently facing significant challenges with respect to diversifying both upstream and downstream EV supply chains. In recent years, the industry has also grappled with supply chain disruptions prompted by the COVID pandemic and shifting geopolitical dynamics. These realities ultimately mean that longer timelines are inevitable, particularly in the near term. Furthermore, in this effort, U.S. allies and partners, including Japan, can play a critical role in helping to meet the U.S.' clean energy transition goals.

The downstream processing and production of lithium-ion batteries, which includes the extraction and processing of critical minerals to produce key battery components such as anodes and cathodes, is concentrated in one country: China. Currently, more than half of the processing and refining of critical minerals, including graphite, cobalt, and lithium, are located there. China also controls 70% of

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 December 14, 2023).

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 December 14, 2023).

cathode production, 85% of anode production, and 75% of overall battery cell manufacturing. While JAMA members are actively contributing to increasing domestic battery production in the U.S., it will take time to scale up North American capacity to meet domestic demand. In the interim, U.S. allies and partners, notably Japan and South Korea, which are the world's second to third largest producers of battery components, can help supply key inputs to speed up the transition and fill the gap between supply and demand.⁴ The overall global demand for critical minerals, such as lithium, nickel, cobalt, manganese, graphite, and copper, is also expected to increase dramatically over the next few decades. According to some sources, demand for some of these minerals within the EV industry alone is projected to grow by nearly 1000% between 2022 to 2040 to meet 2050 net-zero targets.⁵ In other clean energy sectors, such as the solar power industry, demand is also expected to grow, which increases the likelihood of severe bottlenecks in the global supply of these critical minerals.

“Friend-shoring” and Diversification are Drivers of Resilient EV Supply Chains

Despite these challenges, there are some positive movements in the global efforts to build out EV battery supply chains, particularly when it comes to U.S. allies and partners. Canada and Australia with their rich mineral deposits, have been making strong progress in building out their critical minerals' capacity. That said, hurdles remain. According to Benchmark Mineral Intelligence, approximately 336 new mines must become operational to supply enough critical minerals to meet global EV battery demand by 2035.⁶ On average, it can take up to 15.7 years to open a new mine.⁷ In terms of battery components' manufacturing, investments are ramping up outside the U.S. including Japan⁸, Canada, and the EU. While added investments by allies and partners to meet global demand for EV batteries are promising, they will also take time to materialize, and global demand for both critical minerals and battery components may outpace supply in the near term.

⁴ “Global Supply Chains of EV Batteries” (<https://www.iea.org/reports/global-supply-chains-of-ev-batteries>) (July 22, 2022) (accessed December 15, 2023).

⁵ “Critical Minerals Data Explorer” (<https://www.iea.org/data-and-statistics/data-tools/critical-minerals-data-explorer>) (July 11, 2023) (accessed December 15, 2023).

⁶ “More than 300 new mines needed to meet electric vehicle demand, says analyst” (<https://ca.news.yahoo.com/more-300-mines-needed-meet-110000842.html>) (September 25, 2023) (accessed on December 15, 2023).

⁷ “Discovery to production averages 15.7 years for 127 mines” (<https://www.spglobal.com/marketintelligence/en/news-insights/research/discovery-to-production-averages-15-7-years-for-127-mines>) (June 6, 2023) (accessed on December 15, 2023).

⁸ “Japan increases support for domestic EV battery output” (<https://www.reuters.com/business/autos-transportation/japan-give-toyota-854-mln-support-domestic-ev-battery-output-nikkei-2023-06-15/>) (June 16, 2023) (accessed on December 15, 2023).

These ground realities make it even more imperative for the U.S. to work with allies and partners, including Japan, to directly address supply chain vulnerabilities through bilateral and multilateral cooperation efforts. Existing initiatives, including the Indo-Pacific Economic Framework Supply Chain Pillar, the U.S.-Japan Critical Minerals Agreement, the U.S.-ROK-Japan Camp David trilateral discussions on supply chains, and the Mineral Security Partnership, are encouraging steps forward. As it stands, the U.S.' capacity to mine and process battery-grade materials is insufficient to meet market demands. If the country is to nearshore and diversify supply chains, as required under the Inflation Reduction Act (IRA), a transition period is essential. The U.S. must also rely on “friend-shoring” and collaboration with its key allies and partners due to a limited processing capability for EV components. By doing so, the U.S. will ensure a more secure, clean energy transition.

Points for Consideration

The IRA endeavors both directly and indirectly to shift EV supply chains by incentivizing its development in North America and within countries that are U.S. allies and partners. Specifically, this law introduced a new approach under Section 30D for accessing a consumer vehicle tax credit for EVs. Various requirements were introduced, which require automotive manufacturers and dealers to complete multiple new processes in order to provide certainty to consumers that a particular EV is eligible for the tax credit. The excluded entity rules even further restrict eligibility for the 30D tax credit, and additional clarity is essential. So, while JAMA and its members appreciate the efforts to provide clarity within this proposed rulemaking, uncertainty remain. As such, JAMA respectfully submits the following points for consideration.

- Regarding the transitional rule for non-traceable low-value battery materials (and associated constituent materials), clear and timely identification of the eligible materials are beneficial in assisting compliance of these rules.
- Also, due to the extreme complexity of material processing supply chain, it is unforeseeable that accountable industry standards or systems with precision will be developed in the short term, and therefore consideration should be taken into account for possible extension or perpetuation of the proposed transitional rule (beyond 2027).
- Further clarification on the administrative procedures and necessary documentation requirements on areas such as FEOC-compliant certification and compliant-battery ledger are highly appreciated.

Appendix 1: Japanese-brand Automakers' Initiatives

Automaker	Initiative
Honda	Honda has committed to building a new \$4.4 billion joint venture battery facility with LG Energy in Fayette County, Ohio . Production at the facility will start in 2024 with an anticipated 2,200 new jobs. The investment will establish Ohio as Honda's EV hub. ⁹
	Honda, in partnership with Ohio State University , is establishing a new battery cell R&D center. ¹⁰
	Honda is working to make 100% of its global automobile sales BEVs and FCEVs by 2040, with plans to produce more than 2 million EVs per year globally by 2030. ¹¹
Mazda	Mazda is committed to bring 13 new electrified vehicles to the global market between 2022 and 2025 and by 2030 is looking to have 100 percent of Mazda products to be electrified with 25-40 percent being BEVs. ¹²
Mitsubishi Motors	Mitsubishi Motors is committed to 100% EV sales globally by 2035 and is looking to release 9 new electrified vehicle models over the next 5 years. ¹³
Nissan	Nissan has worked to retool their Canton, Mississippi manufacturing facility with a \$500 million investment. The primary focus of the investment is upskilling the 2,700 employees at the facility and they are looking to produce 2 new EV models there by 2025. ¹⁴
	Nissan and Fermata Energy partner to allow for vehicle-to-grid (bidirectional) charging in the U.S. In states with utility demand response programs, bi-directional-enabled vehicles

⁹ "LG Energy Solution and Honda Formally Establish Battery Production Joint Venture"

(<https://global.honda/en/newsroom/news/2023/c230113beng.html>) (January 13, 2023) (accessed December 18, 2023).

¹⁰ "Ohio State, Honda lead partnership to launch battery cell R&D center"

(<https://engineering.osu.edu/news/2023/11/ohio-state-honda-lead-partnership-launch-battery-cell-rd-center>) (November 13, 2023) (accessed December 18, 2023).

¹¹ "Honda's Electrification Strategy Toward Realizing Carbon Neutrality" (<https://global.honda/en/stories/068/>) (April 26, 2023) (accessed December 19, 2023).

¹² "Mazda's Approach to Electrification" (<https://insidemazda.mazdausa.com/the-mazda-way/mazdas-approach-to-electrification/>) (accessed December 18, 2023).

¹³ "Media Information" (<https://media.mitsubishicars.com/en-US/releases/release-30b12f5bb049dd1999285d192f00bea0-media-information>) (March 10, 2023) (accessed December 18, 2023).

¹⁴ "Nissan to build two all-new, all-electric models at Mississippi assembly plant" (<https://usa.nissannews.com/en-US/releases/release-aa2ada92a067df51a78ce3a3b211f2d6-nissan-to-build-two-all-new-all-electric-models-at-mississippi-assembly-plant#>) (February 17, 2022) (accessed December 18, 2023).

	are able to safely send energy stored in the battery to the grid during peak energy demand times, such as in summer months. ¹⁵
	Nissan has a long-term EV vision called Ambition 2030. This effort will see new investments and new vehicles come to market. Nissan’s goal is 27 new electrified models, including 23 new electrified vehicles, including 15 EVs by fiscal year 2030 aiming for an electrification mix of 55% globally across the Nissan and INFINITI brands. ¹⁶
Subaru	Subaru has committed to bringing 8 new BEV models to market by 2028. The company also has plans to build BEVs in the U.S. starting around 2027-28 with the goal of selling 400,000 BEVs a year by 2028. ¹⁷
Toyota	Toyota has invested a total of \$13.9 billion in a new battery facility in Randolph County, North Carolina , and the surrounding areas. The facility will start production in 2025 and have 5,100 employees. The investment includes support for workforce readiness in Randolph County and surrounding counties. ¹⁸
	Toyota invests \$50 million in a new battery R&D facility in Michigan that will support operations in Kentucky and North Carolina . ¹⁹
	Toyota and the San Diego Gas and Electric company collaborate to research vehicle-to-grid technology for BEVs. ²⁰

¹⁵ “Nissan Approves Fermata Energy’s Bidirectional Charger as First for Use with Nissan LEAF in the U.S.” (<https://fermataenergy.com/article/nissan-release-nissan-approves-first-bi-directional>) (September 7, 2022) (accessed December 18, 2023).

¹⁶ “Nissan further accelerates electrification strategy” (<https://global.nissannews.com/en/releases/release-9892068d60092fbc00826bd9202ae967-nissan-further-accelerates-electrification-strategy>) (February 27, 2023) (accessed December 19, 2023).

¹⁷ “Subaru doubles its plans for new EVs, targeting 8 models by 2028” (<https://techcrunch.com/2023/08/02/subaru-doubles-its-plans-for-new-evs-targeting-8-models-by-2028/?guccounter=1>) (August 2, 2023) (accessed December 18, 2023).

¹⁸ “Toyota Supercharges North Carolina Battery Plant with New \$8 Billion Investment” (<https://pressroom.toyota.com/toyota-supercharges-north-carolina-battery-plant-with-new-8-billion-investment/>) (October 31, 2023) (accessed December 18, 2023).

¹⁹ “Toyota to Build New Automotive Battery Lab at Michigan R&D Headquarters, Expanding Electrified Vehicle Development Capability in the U.S.” (<https://pressroom.toyota.com/toyota-to-build-new-automotive-battery-lab-at-michigan-rd-headquarters-expanding-electrified-vehicle-development-capability-in-the-u-s/>) (June 8, 2023) (accessed December 18, 2023).

²⁰ “Toyota Expands Vehicle-to-Grid (V2G) Research with San Diego Gas & Electric Company Collaboration” (<https://pressroom.toyota.com/toyota-expands-vehicle-to-grid-v2g-research-with-san-diego-gas-electric-company-collaboration/>) (November 14, 2023) (accessed December 18, 2023).

	Toyota already offers 22 electrified vehicles options and by 2025 the company plans to have an electrified option available for every Toyota and Lexus model globally. ²¹
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²¹ “Toyota Ramps Up Commitment to Electrification with U.S. BEV Production and Additional Battery Plant Investment” (<https://pressroom.toyota.com/toyota-ramps-up-commitment-to-electrification-with-u-s-bev-production-and-additional-battery-plant-investment/>) (May 31, 2023) (accessed December 19, 2023).