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## North American Graphite Alliance

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### **NAGA Urges Departments of Treasury and Energy to Classify Graphite as a Traceable Critical Mineral in Final Implementation of IRA's Section 30D Clean Vehicle Tax Credit**

**Washington, D.C.** – Today, the North American Graphite Alliance (NAGA) formally submitted a letter to Secretary of the Treasury Janet Yellen and Secretary of Energy Jennifer Granholm urging them to classify battery-grade graphite as a traceable critical mineral in their upcoming final implementation of the Inflation Reduction Act's (IRA) Section 30D Clean Vehicle Tax Credit, therefore adhering to the original intent of the law.

The Section 30D credit encourages automakers to source components – including the critical minerals within lithium-ion batteries – domestically so consumers can receive a maximum \$7,500 tax credit when purchasing an eligible EV. If the components, or the materials that comprise them, are sourced from a foreign entity of concern (FEOC) such as China, then the vehicle does not qualify for the tax credit.

Graphite, both natural and artificial, is the most prevalent mineral in lithium-ion batteries and is listed as a critical mineral on all applicable Federal government lists. It is indeed traceable and, as such, should be deemed a traceable material for purposes of Section 30D to ensure battery manufacturers are not purchasing it from FEOCs. Doing so would adhere to the original intent of the Section 30D credit, spurring onshore growth of the nascent domestic graphite industry and reducing reliance on China for a critical mineral that is a vital component of the clean energy transition.

China dominates global graphite production, accounting for 79% of natural graphite and 97% of artificial graphite for battery anode material in 2023. Because China can flood global markets with cheap, highly subsidized graphite and drive down prices, domestic graphite manufacturers have difficulty securing the investments necessary to bolster production capacity to the levels needed to meet domestic demand. Section 30D's FEOC prohibition provides a critical incentive for investing in this supply chain in America. Without this protection in place, the Federal government is providing mixed signals to the market by supporting investments in the domestic graphite industry through grants, loans, and tax credits, but by also potentially allowing Chinese material companies to benefit from IRA tax credits. Such a baseless loophole would be a windfall to unscrupulous foreign competitors and undermine this critical industry's growth in the U.S. and allied nations, to the detriment of U.S. national security and economic competitiveness.

There are parties within the clean energy industry that argue graphite should be nontraceable because it is technically unfeasible to trace it. This is not a valid argument. There is definitive evidence in the industry, including from NAGA's five member companies, that tracing graphite is highly feasible, reliable, and effective – for both the lifecycle of natural graphite, which includes mining and processing, and for artificial graphite, which uses high quality petroleum coke from limited refineries as a feedstock. If necessary, it is even possible to trace back to the extraction of the crude oil.

In a statement, **NAGA Spokesperson Erik Olson** said:

“We urge the Treasury Department to classify graphite as a traceable material to ensure companies aren’t openly incentivized to purchase graphite from China at a critical moment for the industry’s progress. In doing so, the Section 30D tax credit will be closer to achieving its maximum potential impact. The Biden Administration has invested billions of dollars in developing the domestic graphite supply chain through the IRA and the Infrastructure and Investment Jobs Act (IIJA), and by encouraging the continued sourcing of graphite from FEOCs, the Administration would be undermining the progress that its historic investments have made possible.”

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NAGA represents American and Canadian producers of battery-grade natural and synthetic graphite, both of which are used to create anode material for lithium-ion batteries. NAGA encourages the U.S. Federal government to craft and implement policies, programs, and funding opportunities that support growing the domestic graphite industry.