

December 12, 2022

The Honorable Janet Yellen
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Yellen:

I write to convey the importance of implementing the Inflation Reduction Act of 2022's (IRA) Section 45W Qualified Commercial Clean Vehicle Credits (45W) in a manner that strengthens domestic manufacturing while ensuring economic and national security through reduced vulnerability to unreliable supply chains.

As the sector responsible for the largest portion of total U.S. greenhouse gas emissions, there is no question that we need to be doing all that we can to reduce emissions in the transportation sector. That is why there were several provisions in the IRA aimed at not only increasing the domestic manufacturing of cleaner vehicles, but also helping consumers and businesses enter the clean vehicle market.

Unfortunately, I have heard that some automakers and foreign governments are asking your agency for a broad interpretation of 45W that would allow rental cars, leased vehicles, and rideshare vehicles (such as those used for Uber and Lyft), a huge piece of the U.S. vehicle market, to be eligible for the full \$7,500 commercial vehicle credit as a way to bypass the strict sourcing requirements in the 30D Clean Vehicle Credit (30D). If these vehicles are deemed eligible, I can guarantee that companies will focus their attention away from trying to invest in North America to meet the requirements of 30D and will instead continue with business as usual, putting our transportation sector further at risk. The 45W credit, as the name implies, is intended only for commercial use and your department must follow congressional intent and release guidance that would ensure 45W will not be used on vehicles that will be leased, rented or used for ridesharing purposes.

While electric vehicles can play an important role in reducing these emissions, when it comes to the electric vehicle battery supply chain, the U.S. has become overly reliant on bad actors like Russia and China for the minerals needed to power these cleaner cars and we have lost our footing as the automotive manufacturing superpower we used to be. In fact, China is responsible for 60% of the world's cathode production, 80% of the world's anode production, and 75% of the world's lithium-ion battery cell production. These figures are alarming and were the impetus for the North American assembly pre-requisite and the strong sourcing requirements for the minerals and manufacturing of batteries in the 30D Clean Vehicle Credit (30D) included in the IRA.

I recognize that many of our allies may be upset at the strong domestic sourcing requirements included in the IRA and are looking for a way around them. Let me be clear, this bill was not designed to hurt any of our allied partners, but it was designed to help this country and make us stronger. That is why the Department of Treasury must ensure that any guidance on 45W is not lenient to foreign companies to trying to find loopholes within our tax code that would enable them to flood our vehicle market.

Our country is the birthplace of Henry Ford, who revolutionized the automotive industry with the Model T; being an automotive powerhouse is in our blood. That is why it is so disappointing to hear that many domestic automakers are looking to try to use 45W as a way around the requirements found in 30D. Instead of trying to find loopholes within these credits, domestic automakers should be seizing the opportunity to solidify our country's role as the automotive superpower we can and should be.

As Chairman of the Energy and Natural Resources Committee, I am fully committed to ensuring this country is energy independent and solidifying our nation's energy security. Congressional intent in the IRA is crystal clear. The tough but achievable requirements in the 30D credit were intended to help us reduce our reliance on foreign supply chains and create a viable domestic supply chain from mineral to vehicle. Therefore it is vital that we do not allow companies to cheat the system by using the 45W credit for non-commercial uses.

I've been pleased to see the impact the sourcing provision in 30D has had so far with several companies already announcing new battery factories in the United States this year and if these credits are enacted as intended, I look forward to seeing many more of these investments bringing jobs and economic opportunities to states across the country. Thank you for your attention to this matter and I stand ready to work with you to ensure these credits are implemented the way they were intended.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Manchin III", with a long horizontal flourish extending to the right.

U.S. Senator Joe Manchin III