Comments of the

Motor & Equipment Manufacturers Association

to

U.S. Geological Survey, Department of Interior

RE: Notice of Opportunity for Public Comment;
2021 Draft List of Critical Minerals

Docket No. DOI-2021-0013; FR Doc. 2021-24488

December 9, 2021

The Motor & Equipment Manufacturers Association (MEMA) submits these comments to the U.S. Geological Survey (USGS), Department of Interior (DOI) on the "2021 Draft List of Critical Minerals" Notice of Opportunity for Public Comment (notice).[1] MEMA appreciates the Department's willingness to engage with stakeholders on this important topic.

Introduction

MEMA represents more than 900 companies that manufacture components, systems, and materials for the light- and heavy-duty vehicle original equipment and aftermarket industries.[2] The vehicle supplier industry is the nation's largest sector of manufacturing jobs – directly employing more than 907,000 workers in all 50 states.[3] Direct, indirect, and induced vehicle supplier employment accounts for over 4.8 million U.S. jobs and contributes 2.5 percent to U.S. GDP.

The vehicle supplier industry provides solutions for clean mobility – including components and technologies for battery electric vehicles (BEV), plug-in hybrids (PHEVs), and hydrogen fuel cell vehicles (FCEVs). Vehicle suppliers are committed to providing innovative, affordable, and accessible technologies needed to continue reducing vehicle emissions and meet the administration's goal of economy-wide net-zero emissions by 2050. Vehicle suppliers will play a critical role in our nation meeting vehicle greenhouse gas (GHG) goals including the 2030 zero emissions vehicle (ZEV) goal.[4]

As we transition to these cleaner technologies, MEMA strongly supports leveraging American innovation to drive the U.S. toward a broad spectrum of advanced technologies that can all play a part in meeting the nation's short- and long-term GHG emissions reduction goals. During this transition, a diverse array of advanced propulsion technologies, including further innovations to internal combustion engine technologies, will help maintain the appropriate balance between consumer choice, vehicle affordability while keeping the American workforce and the U.S. vehicle industry competitive. Significantly, this approach will also reduce tensions in the vehicle industry supply chain.

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[1] 86 Fed Reg at 62199.

[2] MEMA represents its member companies via the Automotive Aftermarket Suppliers Association (AASA); Heavy Duty Manufacturers Association (HDMA); MERA – The Association for Sustainable Manufacturing; and, Original Equipment Suppliers Association (OESA). For more information, visit http://www.mema.org.

[3] U.S. Labor and Economic Impact of Vehicle Supplier Industry, MEMA and IHS Markit. February 2021.

[4] 86 Fed Reg at 43583, Executive Order 14037 of August 5, 2021.

Summary of MEMA Comments

MEMA supports the USGS 2021 Draft List of Critical Minerals. Vehicle suppliers provide solutions for clean mobility – including components and technologies for an increasing volume of BEVs, PHEVs, and FCEVs. Vehicle suppliers operate in a global economy and the industry needs stable access to critical materials to remain competitive globally, including critical materials like zinc and nickel. We support the USGS consistent monitoring of the critical minerals to ensure the vehicle industry supply chain remains strong through this transition to cleaner technologies. MEMA will continue to support efforts by the agencies to invest and improve the U.S. vehicle supply chain.

Suppliers' Role in Developing Innovative Technologies

A typical vehicle can include 30,000 components and subsystems, the majority of which are developed through supplier innovation and manufacturing. In fact, vehicle parts suppliers provide 77 percent of the value of a new vehicle. Supplier innovation provides a multitude of technologies and a wide range of products such as the complex, highly integrated systems to improve vehicle safety, emissions, and efficiency.

Vehicle suppliers have taken a leadership position in the industry's development of advanced technologies. Suppliers continuously anticipate the needs of vehicle manufacturers and take on the initial investments and commit significant resources in developing multiple emissions-reducing technology solutions, including electrified powertrains, to assist vehicle manufacturers in meeting emissions standards.

Suppliers take on substantial associated risks by driving a wide array of technology advancements and innovative materials needed to improve vehicle safety, fuel efficiency, and emissions reduction. The roll-out of these technologies require substantial lead-time, long-term planning, and major economic resources. A supplier's timeline for product development and investments usually includes up to six stages, each stage ranging from six months to two years depending on the technology.

Consequently, suppliers are not only at risk that their customers will not purchase these technologies at the volumes expected, but there is also the risk that consumers will not adopt these technologies in the volumes predicted. Recently, there has been increased risks of problems in the global supply chain. Because of these risks, MEMA strongly supports the agencies implementing policies that support a sustainable U.S. supply chain and policies that encourage a robust and healthy ecosystem that supports the U.S. manufacturing and consumer adoption of cleaner transportation technologies. These policies can mitigate some of these risks facing vehicle suppliers and can help U.S. vehicle suppliers remain competitive in the global economy.

MEMA Supports the 2021 Draft List of Critical Minerals

The vehicle industry is transitioning to cleaner transportation including, but not limited to, developing and producing BEVs and PHEVs. Consequently, vehicle suppliers are producing higher volumes of electric vehicle batteries and the volume of these batteries will continue to increase as the market develops. As noted in the notice, nickel and zinc are two critical minerals for the development and manufacturing of these batteries. Nickel and zinc have a limited mining, smelting and refining capacity in the U.S. and, as a result, the U.S. has a vulnerability to disruptions to the supply chain.

Consequently, MEMA supports the USGS proposal to add nickel and zinc to the 2021 Draft List of Critical Minerals. Zinc and nickel meet the definition of critical minerals as defined by the Energy

Act of 2020[5] since these two minerals are, and will continue to be, essential to the economic and national security of the U.S. and its vehicle supply chain. MEMA agrees that any constraint to these minerals could cause significant disruption to the U.S. vehicle supply chain and the domestic production of electric vehicles.[6]

This is one of the many reasons MEMA supports a broad pathway of a multitude of advanced technologies to meet our nations' GHG emissions and ZEV goals. Vehicle suppliers need a stable supply chain for these minerals (among others that are listed in the USGS critical minerals list).

MEMA supports the actions taken by the Biden Administration prompted by the Presidential Executive Order "Tackling the Climate Crisis at Home and Abroad."[7] MEMA strongly supports investments to strengthen and improve the U.S. manufacturing supply chain. MEMA also strongly encourages continued analysis of potential challenges for the U.S. manufacturing supply chain for the transition to higher levels of vehicle electrification. This is particularly important for the resources needed to manufacture, recycle, and dispose of (or repurpose) electric vehicle batteries. We support further investments in developing our limited domestic material processing capacity.

A broad, all-of-government approach to supporting cleaner transportation and the U.S. supply chain is critical. These policies are important to enhance the ability of vehicle suppliers to support ongoing domestic investments, be more globally competitive, and open more opportunities to export their emissions-reducing products and technologies to other markets.

The vehicle supplier industry is facing significant challenges with their U.S., North American, and global supply chains. Vehicle parts manufactures are dealing with significant increased costs and decreased accessibility of the materials, including the critical materials, and subcomponents that are vital in manufacturing finished vehicle parts and systems. A recent example includes an acute shortage of vehicle-grade semiconductors, shipping delays, port backlogs, and significant increases in logistics expenses. This is partnered with increased costs for raw materials and other inputs compounded with shortages of commodities including critical minerals and metals. All of these challenges add to the overall threat of inflation.

MEMA supports the USGS proposal to add nickel and zinc to the 2021 Draft List of Critical Minerals because vehicle suppliers need stable access to these minerals. Vehicle suppliers operate in a global economy and accessibility to key material inputs are necessary to remain competitive globally. It is not economically viable for every material to come from the U.S. or another country. MEMA has long advocated for having a strong North American regional supply chain as it allows for more advanced and strategic components to be sourced from the region. At the same time, the U.S. vehicle industry relies on both its global suppliers and regional suppliers to be viable with as little disruption and as much predictability as possible. For predictable access to manufacturing materials, it is critical that that the domestic vehicle parts manufacturers increase and diversify supply chains not only in the U.S. but also around the world. Boosting and diversifying supply helps create more sourcing opportunities, supply chain stability, and domestic investments, manufacturing, and jobs.

MEMA generally supports investments and requirements for battery recycling as this would be a force for progress in technology development and strengthening the critical U.S. supply chain if implemented correctly and thoughtfully. Over the long-term, the U.S. must create greater sourcing of these critical components and technologies for the domestic market and the U.S. supply chain.

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[5] Energy Act of 2020 section 7002(c)(4)(A).
[6] 86 Fed Reg at 62200.
[7] 86 Fed Reg at 7619, EO 14008 of January 27, 2021.

Increasing and diversifying supplies of components and materials in the U.S. are vital to domestic vehicle parts manufacturers. MEMA supports policies that will create a more sustainable supply chain in the U.S. and encourages a virtuous cycle of recycling and repurposing.

Conclusion

Vehicle suppliers provide 77 percent of the value of a new vehicle including technologies and components for electric vehicles and electric vehicle batteries. Vehicle suppliers operate in a global economy and market and the industry needs stable access to critical materials to remain competitive globally, including critical materials like zinc and nickel. Consequently, MEMA supports the USGS 2021 Draft List of Critical Minerals.

The vehicle industry is currently ramping up its transition to cleaner vehicle technologies including higher levels of electrification. At the same time, the vehicle supplier industry is facing significant challenges with their U.S., North American, and global supply chains, including increased costs and decreased accessibility of critical materials and subcomponents that are vital in manufacturing finished vehicle parts and systems. This is one of the many reasons MEMA continues to support a broad spectrum of advanced technologies, not a narrow technology pathway, to meet our nation's GHG emissions goals. Further, MEMA supports the all-of-government approach taken by the Biden Administration to analyze, invest, protect, and strengthen the U.S. vehicle manufacturing supply chain.

Thank you for consideration of these comments. For more information, please contact Leigh Merino, vice president of regulatory affairs at lmerino@mema.org and Laurie Holmes, senior director of environmental policy at lholmes@mema.org.