

US, Japan reach deal on vital minerals for EV batteries

March 28 2023, by Mari Yamaguchi



U.S. Trade Representative Katherine Tai speaks during a meeting with Japan's Minister for Economy, Trade, and Industry Nishimura Yasutoshi before they signed a memorandum of cooperation at the White House Complex in Washington, Friday, Jan. 6, 2023. Japan and the United States reached an agreement Tuesday on trade in critical minerals for electric vehicle batteries, part of an effort to diversify supply chains and reduce reliance on China for strategically important resources. Credit: AP Photo/Susan Walsh, File

Japan and the United States have reached an agreement on trade in critical minerals for electric vehicle batteries, part of an effort to ensure secure supplies of strategically important resources.

The [deal](#) due to be signed later Tuesday is expected to help [electric vehicles](#) using metals processed in Japan qualify for [tax incentives](#) under President Joe Biden's Inflation Reduction Act. The agreement was endorsed by Japan's Cabinet on Tuesday.

The Inflation Reduction Act, enacted in August, includes a tax credit of up to \$7,500 that could be used to defray the cost of purchasing an electric vehicle but requires such vehicles to have a portion of the [critical minerals](#) used in their batteries to be mined in or processed domestically or from countries with which the U.S. has free trade agreements. Japan and the U.S. have no such FTA.

Japan and [European countries](#) had protested being excluded from joining the American Clean Vehicle Credit program under the law.

The deal to be signed in Washington by U.S. Trade Representative Katherine Tai and Japan's ambassador to the U.S., Koji Tomita, will grant Japan the same treatment as an FTA partner regarding such minerals, Japanese officials said.

The agreement to not impose export duties on trade in lithium, cobalt, manganese, nickel and graphite—all strategically important minerals—is a boon for Japanese automakers and companies like Panasonic, one of the biggest battery makers.

"As we expect a significant increase of demand for EV batteries going forward, securing critical minerals indispensable for their production is a pressing task," Foreign Minister Yoshimasa Hayashi told reporters.

"The deal is aimed at establishing resilient supply chains through cooperation between Japan and the United States, as well as like-minded countries, by strengthening cooperation to secure sustainable and fair supply chains for those critical minerals," he said.

The U.S. government wants to ensure a stable, secure supply of lithium and other materials needed for EV batteries, [heat pumps](#) and large-capacity batteries for the electric grid. A majority of global lithium production comes from China, Australia, Argentina and Chile, while Russia dominates the global nickel market and the Democratic Republic of Congo is the world's largest cobalt producer.

"This announcement is proof of President Biden's commitment to building resilient and secure supply chains," U.S. Trade Representative Katherine Tai said in a statement.

Tai said the U.S. "would continue to work with our allies and partners to strengthen supply chains for critical minerals, including through the Inflation Reduction Act."

The Treasury Department is expected to release details about tax credits and adjustments to the law soon.

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