

Testimony of Deputy Secretary of the Treasury Wally Adeyemo Before the Energy and Natural Resources Committee, U.S. Senate

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As Prepared for Delivery

Chairman Manchin, Ranking Member Barrasso, and members of the committee, thank you for having me here today. I look forward to discussing Treasury's efforts to implement recent legislation in ways that help American workers and companies build an effective supply chain to support our transition to clean energy and improve our energy security.

The Inflation Reduction Act (IRA) and the Infrastructure Investment and Jobs Act (IIJA) jumpstarted the United States' ability to compete in the global market for electric vehicles (EVs). As you know, the People's Republic of China (China) has, for over a decade, pursued non-market policies and practices to further state-led industrial targeting and channeled enormous amounts of financial support into developing its EV sector, seeking to help Chinese firms establish a dominant position in the global EV market. China's targeted government intervention and investments in clean energy totaled over \$500 billion in 2022 alone, nearly four times the investment in the U.S. and more than 1.5 times the U.S. and European Union combined.¹ Today, China produces over half the world's EVs and an even larger share of EV batteries.²

Critical minerals have been central to China's EV sector development strategy. As of 2022, Chinese mines accounted for 65 percent of global production of graphite and 70 percent of rare earths.³ China's refiners have 77 percent of global cobalt refining capacity and more than half of global lithium refining capacity.⁴ China produces 84 percent of anode battery components, 68 percent of cathode components, and 77 percent of battery cells globally.⁵

While China is ahead of us on EVs today, by enacting the IRA and IIJA, you have given the United States the ability to not only compete but to lead an effort to build an alternative global supply chain. Of course, because our domestic system is different from China's, our path to building a resilient domestic EV production base is also different. Instead of directing industry, the IRA and IIJA provide incentives that support the private sector in building the EV

ecosystem, from manufacturing and procurement to adoption and charging. Importantly, these incentives foster competition.

Because of the IRA and IIJA, American manufacturers are responding. It's why we've seen manufacturing investment for clean vehicles, batteries, and critical minerals double since enactment. American workers across the country are witnessing firsthand the new economic opportunities. Since the passage of the IRA, we've seen \$157 billion in private sector investment announced for EVs and batteries.⁶ Investments related to clean energy are being made disproportionately in communities with historically lower wages, lower college graduation rates, and higher poverty.⁷

An important distinction between our strategy and China's is that we are not undertaking this transition alone. While our investments benefit American manufacturers, workers, and consumers, we recognize that for this project to be successful, we need our allies to help build resilient supply chains that improve our energy security. That's why our early efforts to build critical mineral agreements have centered on allies with whom we share values and national security interests.

We know too well the impact that Russia's weaponization of natural gas had on Europe's economy, but we also saw the impact that Russia's further invasion of Ukraine had on crude oil markets and the price at the pump here in the United States. While gas prices have fallen 35 percent since their peak in 2022, over the long term, it's clear that we need to improve our energy security with clean energy. And we cannot afford for our allies to go from being overly reliant on Russia for natural gas to being reliant on China for batteries. In both instances, we are left vulnerable to the weaponization of trade as a geopolitical tool.

That's why building our EV supply chain is critical for our energy security. It won't happen overnight, but the investments that have been made in recent months and years will pay dividends for decades to come. In time, these investments will transform into the domestic supply chain that will power numerous new electric vehicle models expected over the next decade.⁸

A main beneficiary of these investments is the American worker. Manufacturers have announced nearly 200,000 direct EV-related jobs in the United States over the past eight years. The recently announced EV and EV battery manufacturing investments are expected to create more than 800,000 additional jobs in the broader economy.⁹ We expect growth in manufacturing and construction, engineering and electrical work, and more. These well-paying

jobs will bring new economic opportunity to communities across the country, and as such, the clean energy transition will benefit American consumers, workers, and communities.

In the year ahead, Treasury plans to continue its work, to support building out the EV supply chain in a way that benefits American companies, workers, and consumers, while also collaborating with our allies. I look forward to discussing the details on how we'll do that with you here today, and I look forward to continuing to work together with you in the weeks and months to come.

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¹ <https://www.scientificamerican.com/article/china-invests-546-billion-in-clean-energy-far-surpassing-the-u-s/>

² <https://www.bruegel.org/newsletter/following-boom-chinas-electric-vehicle-industry-now-faces-weak-domestic-demand-and>

³ <https://pubs.usgs.gov/periodicals/mcs2023/mcs2023.pdf> 

⁴ <https://www.instituteforenergyresearch.org/international-issues/china-expected-to-increase-control-over-global-lithium-and-cobalt-supply/>

⁵ <https://www.cfr.org/blog/ford-catl-partnership-illustrates-challenge-decoupling-ev-supply-chains>

⁶ <https://www.whitehouse.gov/invest/>

⁷ <https://home.treasury.gov/news/featured-stories/the-inflation-reduction-act-and-us-business-investment>

⁸ Charging into the future: the transition to electric vehicles available at <https://www.bls.gov/opub/btn/volume-12/charging-into-the-future-the-transition-to-electric-vehicles.htm>

⁹ One Year After IRA Passage, New Report Finds U.S. Electric Vehicle Investments, Jobs Continue to Soar available at <https://www.edf.org/media/one-year-after-ira-passage-new-report-finds-us-electric-vehicle-investments-jobs-continue>