

NAATBatt International Response to Request for Comments on the Design of a Plurilateral Agreement on Trade in Critical Minerals and Policy Actions to Strengthen the Resilience of Critical Mineral Supply Chain – USTR 2026-0034

About NAATBatt

NAATBatt International is North America's leading trade association for advanced battery technology, serving 380+ corporate and research institution members across the full battery value chain from materials and manufacturing to policy and commercialization. We connect executives, technologists, and investors driving the future of electrochemical energy storage in North America. Through our annual conference, working committees, member site visits, and market intelligence programs, NAATBatt members gain the relationships and insights needed to grow their business and shape the industry. Our work spans electric vehicles, grid storage, defense, and consumer electronics, accelerating the commercialization of next-generation battery technology and the revitalization of advanced battery manufacturing across the continent.

This response is being submitted by the NAATBatt ad-hoc committee on critical minerals supply chain.

Introduction

The strength of the United States' advanced manufacturing base, national security infrastructure, and energy systems increasingly relies on secure, resilient supply chains for a small group of minerals vital to battery production. While the U.S. Geological Survey has identified more than sixty minerals as critical to the national economy, only a subset of these directly supports the North American battery manufacturing ecosystem. Without clear prioritization, policy discussions risk spreading attention too widely across the entire critical minerals list, overlooking the materials most essential to American industrial competitiveness and strategic technologies.

From an industrial perspective, priority should be given to minerals that support the broader battery manufacturing ecosystem and its supply chains. These include:

- Lithium
- Copper
- Nickel
- Cobalt
- Graphite
- Manganese
- Other processed battery-grade materials and chemical intermediates needed to produce cathodes, anodes, and current collectors.

These minerals are vital to a wide range of strategic industries, including transportation, grid infrastructure, defense technologies, and advanced manufacturing. Ensuring reliable access to these elements begins with strengthening domestic mining and raw material production across the U.S. and allied nations. However, raw material production is only the beginning, as the United States will require a robust processing industry if it hopes to remain competitive.

Mining of Raw Materials

Although the United States has extensive mineral resources, many deposits remain underdeveloped or underused due to technical, economic, and processing issues. Often, valuable materials are found in lower-grade ores, unconventional deposits, or previously mined materials, which require new extraction methods to be economically viable.

Given the vagaries of the worldwide distribution of certain natural resources, the United States cannot become wholly self-sufficient in the extraction and production of all raw materials.¹ In addition, as mentioned earlier, lower grade ores available in the US may cost exponentially more to process than higher grade ores available from ex-US sources. Therefore, strengthening American mineral security involves, boosting domestic mining efforts, developing the technologies necessary to efficiently extract and refine minerals from resources within the US and trusted partner economies and processing those raw minerals into usable for inputs for batteries and related technologies.

Chinese Industrial Policy for the Processing of Critical Minerals

Chinese industrial policy is driven by considerations other than market forces under a policy that can only be described as “neo-mercantilism”.² While China does not dominate raw mineral extraction, China has followed a policy of creating deliberate overcapacity in the area of critical minerals processing, especially in the realm of battery materials. This policy has discouraged the creation of a new processing capacity in the United States and allied countries. In the specific area of battery materials, China accounts for 90% of manganese, 71% of cobalt, 61% of lithium, 85% of synthetic graphite and 86% of rare earths global processing capacity.³ Copper and aluminum processing are more globally fragmented markets, while Indonesia dominates nickel processing capacity. Indonesia is an interesting case as its government has used its market leverage in nickel ore to force the onshoring of nickel processing and further downstream value-add operations.

In addition, this excess Chinese processing capacity, gives China the ability effectively to dump material at will in the event a non-Chinese competitor attempts to enter the market for processing such critical materials. By dramatically dropping the price by increasing supply, China can

¹ The worldwide distribution of crude oil resources is the best example of this phenomenon. “Natural gas is to oil as politicians are to statesmen.” – John McPhee in *Annals of the Former World*.

² Based on historical analysis, one could argue that Chinese policymakers have been following the long-term policy goal of running large current account surpluses since the Ming Dynasty (1368-1644).

³ Source: Benchmark Minerals

change the economic calculus of certain investment projects in critical minerals at specific areas in the supply chain. Given the time lag for large-scale investment and the required capital expenditures, private industry alone cannot adequately respond to these Chinese actions. Current market pricing for these critical minerals reflects ongoing Chinese market distortions.

Potential Solutions

To address these challenges, several policy measures could help strengthen domestic supply chains. First, federal trade and industrial policies could focus on a specific list of battery-critical raw and processed minerals within broader critical mineral strategies. Second, plurilateral agreements (“friendshoring”) among trusted partners could help secure supply chains for raw materials and processed products by aligning investment incentives, permitting frameworks, and trade cooperation among allied nations. These agreements would support responsible resource development while strengthening the broader industrial ecosystem that transforms mineral resources into advanced manufactured products.

Policymakers must focus on the robustness of the entire supply chain starting with mining, continuing to materials processing and finishing with the final products. Neo-mercantilist actors have been very successful at “attacking” the weakest part of the supply chain. Chinese dominance across the entirety of the rare earths supply chain is an example of the result of such policies.

Equally important is the innovative ecosystem needed to develop and implement next-generation technologies for mineral extraction and processing. Advances in biological mineral extraction for low-grade ores, hydrometallurgy, and other emerging technologies are creating new ways to recover metals from complex ores and unconventional feedstocks. The development of these technologies depends heavily on the availability of advanced laboratories and pilot-scale infrastructure capable of functioning under realistic mineral processing conditions. Research & Development grants and tax credits will help finance these scientific advancements.

Policymakers need to make sure these scientific advances remain onshore and are commercialized domestically. China currently dominates the production of cathode material for both lithium iron phosphate and nickel-manganese-cobalt batteries. Both technologies were developed in US laboratories in the early 2000s. However, Chinese firms such as CATL took the lead in commercialization and are now in a dominant position across the supply chain.

Ensuring that American researchers, technology developers, and equipment manufacturers have access to the facilities, capital, and research support necessary to advance these technologies will be crucial for strengthening domestic mineral production and processing.

Collaboration among mining and refining technology developers, equipment manufacturers, and research institutions is a vital pathway to turning innovation into practical mining solutions that boost domestic mineral supply while maintaining global competitiveness.

Taken together, a strategy focused on increasing domestic raw and processed mineral production, strengthening allied mineral partnerships, and supporting the technologies needed to unlock American mineral resources can significantly boost the resilience of North America's battery materials supply chain. By aligning policy support with the minerals and technologies most vital to modern manufacturing, the U.S. can enhance domestic industrial capacity, decrease reliance on foreign supply chains, and secure the materials necessary for long-term economic growth and technological advancement.

The Scope of any Plurilateral Agreement

A. Prioritization of Critical Minerals and Trading Partners for Agreement Scope

1. In prioritizing certain critical minerals to be included within a plurilateral agreement, critical factors to evaluate prioritization should include: 1) worldwide market concentration for both mining and the processing of the critical mineral (especially concentration in non-market and/or unfriendly economies), 2) potential alternative sources of supply, and 3) how critical the mineral is for US national security.
2. Critical minerals both raw and processed could be grouped by 1) geographical availability, 2) scarcity and 3) current market concentration of the supply chain. For example, copper and lithium are available from several different sources across several continents, while the majority of cobalt ore is geographically limited to countries such as the Democratic Republic of Congo (DRC). Critical minerals could also be classified by strategic bottlenecks or problematic market actors (i.e. how much does a single country dominate the processing of such critical mineral?)
3. To the extent, the US does not become over reliant on one strategic producer, we should allow the law of comparative advantage to determine market share.
4. Given the current predicament, all trading partners not hostile to the US should be considered for participation in the plurilateral agreement.
5. Trading partners should have open economies that do not unduly restrict US access to domestic markets. In addition, trading partners should agree at the outset not to serve as conduits for market distorting behavior such as origin laundering tactics.

B. Setting Target or Reference Prices for In-Scope Critical Minerals

1. Establishing a reference price for various critical minerals has become incredibly difficult due to an inverted "Cellophane Fallacy" effect resulting from Chinese distortions of current market pricing to preserve outsized market share. Current market pricing for certain critical minerals cannot be relied upon as a baseline scenario.
2. Failure to adjust pricing to reflect actual market dynamics will lead to increasing distortions in supply and demand. Pricing should remain as flexible as

economically possible with the plurilateral agreement to reflect actual conditions of supply and demand among the signatories. This does not exclude the possibility of setting “floor” pricing, but unsustainable floor pricing is counterproductive.

3. Reference prices need to reflect the cost of extraction, processing and refining, plus a “fair” profit. Presumably, market participants will not engage in long-term pricing below cost as they will be subject to market forces. Tax credits such as Section 45X could be expanded to provide a “cushion” for initial investment.
4. The long-term goal should be to establish a market price that reflects true supply and demand that is independent of mercantilist distortions. Policy instruments such as tax credits and tariffs against bad actors can provide a cushion to startup operations. Large direct monetary grants (excluding specifically targeted R&D grants for technology development) are a less efficacious tool because economically unviable projects will eventually collapse despite subsidies, while economically sound projects will receive an economic windfall. Floor pricing may also be ultimately counterproductive.

C. Price Adjustment Mechanisms for Critical Minerals

1. Minimum pricing should be sufficient to spur investment demand. This can be assisted by tax credits and tariffs against bad actors.
2. Under the plurilateral agreement, tariffs should be utilized as a scalpel not a hammer. Tariffs should not be used against good faith market participants relying on comparative advantage and the blessings of geography.
3. Broadly applicable floor pricing may be ultimately counterproductive.
4. Value chain analysis should begin with the analysis of current market distortions. China already targets the weakest part of the supply chain to achieve dominance. Any analysis must start at that point of weakness to manipulation.
5. Any plurilateral agreement must take into account the entire supply chain to avoid attacks at the weakest point from bad faith actors.
6. Parties could utilize tariffs and anti-dumping duties to prevent bad actors from interfering with the markets set by the plurilateral agreement.

D. Establishment of Common Standards to Address Regulatory Arbitrage

1. The plurilateral agreement would need to take into account various regulatory differences among the parties (i.e. regulatory, tax, environmental)
2. The plurilateral agreement would need to set minimum standards.

E. Rules to Govern Investment in Critical Mineral Supply Chains

1. NAATBatt does not take a position on investment screening mechanisms.
2. NAATBatt does not take a position on investment policies and procedures.
3. Any plurilateral agreement should prevent any non-party from distorting the market or manipulating the supply chain.

F. Implementation and Enforcement of a Plurilateral Agreement

1. Any phase-in period will need to be carefully choreographed to avoid attack by bad faith attacks.
2. The plurilateral agreement should contain “sanctions” against any party that participates in a black market as that could undermine the purpose of the plurilateral agreement.
3. The plurilateral agreement should contain “carrot and sticks” to reward good behavior and punish bad behavior. These could include monetary sanctions and suspension provisions.
4. The plurilateral agreement should provide for an enforcement mechanism and oversight committee comprised of members.

G. Mechanisms for Coordination Among Parties to the Agreement

1. The mechanism must take into account comparative advantage as well as geographical differences. Any mechanism must account for market forces and changes to avoid distortionary pricing.
2. By providing a non-distorted market, the plurilateral agreement can encourage market participants to make long-term investments in viable projects.
3. The plurilateral agreement should seek to avoid single points of failure in the supply chain.
4. The plurilateral agreement must be flexible enough to allow market participants to be able to react to unforeseen instabilities.

H. Reference Measures of Agreements to Inform the Agreement

1. The goal of the plurilateral agreement should be to create a free market among good faith participants and a robust supply chain that is independent of mercantilist distortions.
2. The International Tin Agreement showed that artificially high price floors will eventually be tested by market forces. References to OPEC are inapt because Saudi Arabia can exert de facto market discipline as both the largest and lowest cost producer.

I. Relevant Legal Authorities of the Potential Parties

1. NAATBatt does not take a position on potential legal procedures for the plurilateral agreement.
2. NAATBatt does not take a position on legal procedures for the plurilateral agreement.

J. Additional Considerations

1. The plurilateral agreement should create a sufficiently robust supply chain. The supply chain should not have weak points that can be targeted by bad faith actors.
2. A properly designed supply chain and market mechanism should prevent both oversupply and undersupply by relying on market forces.