April 15, 2026

The Honorable Jamieson Greer
The Office of the United States Trade Representative (USTR)
600 17th St. NW
Washington, DC 20006

Re: Docket ID USTR-2026-0067

Dear Ambassador Greer,

The North American Graphite Alliance (NAGA) appreciates the opportunity to comment on the Section 301 investigations of Acts, Policies, and Practices of Certain Economies Relating to Structural Excess Capacity and Production in Manufacturing Sectors**.** We applaud the Trump Administration's ongoing commitment to enacting trade policies that prioritize the American worker and strengthen America's national and economic security.

As a leading voice of the domestic graphite industry, our comments will focus on China's overwhelming manufacturing capacity of natural and synthetic graphite active anode material (AAM) – both at home and abroad. Via both government and industry efforts, China has employed a variety of demand and supply side policies, subsidies, and other military and economic actions to swell its manufacturing capabilities. Recent data shows China's overcapacity in the graphite industry has roiled markets and significantly impacted prices. These factors make China and the countries its companies operate in prime targets for this Section 301 investigation.

About NAGA
NAGA is a coalition of six American and Canadian producers of natural and synthetic graphite AAM, a required component of lithium-ion batteries. Since our founding in December 2023, NAGA has been extensively engaged in countering China's manipulation of the global graphite market. As strong supporters of tariffs, we successfully led an industry effort in the spring of 2024 to have Section 301 tariffs reinstated on three natural and synthetic graphite products from China. This occurred during the 4-year review of the Section 301 Investigation into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation.

As part of our efforts during the 4-year review to spotlight China's dominance of the global graphite industry, NAGA commissioned a report by Oxford Economics, *Enabling North American Graphite Growth*.[1] It presents a variety of data that illustrates China's startling dominance of the graphite supply chain and delves into how trade protections can help protect North America's graphite producers. We submitted this report to USTR, along with written comments.

In addition, NAGA's sister coalition, the Battery Materials & Technology Coalition (BMTC), commissioned a separate report that outlines China's strategy to dominate the global battery

[1] Oxford Economics. Enabling North American Graphite Growth. February 2024.

materials market, *The China Hazard – How Beijing Controls the Global Battery Supply Chain*. [2] Select statistics from the two reports are woven into the comments below to reinforce key points. Both reports are attached as addendums to this letter. We hope that, taken together, the reports successfully convey the severity of the issue at hand.

The Importance of Graphite AAM

Advanced batteries are foundational to U.S. national security, energy resilience, and economic competitiveness, and are integral inputs across military, industrial, transportation, telecommunications, and AI-related applications. Graphite AAM is the most abundant material in a lithium-ion battery: a standard 60 kilowatt-hour (kWh) battery may contain 160 pounds of graphite compared to 20 pounds of lithium.[3] Demand for anode material is expected to surge exponentially as the domestic battery manufacturing market grows. In fact, North American demand will grow by 300% over the next five years, while global demand will swell 189% over the same period.[4]

The AI Race and Rising Energy Demand

Since his Executive Orders on Day 1, President Trump has showcased action to unleash America's energy resources and usher in an age of American energy dominance. Boosting American energy production could not be timelier, as electricity demand continues to skyrocket, driven by the boom in AI data centers. This increased power demand will present new challenges for America's aging electric grid; challenges which battery technology can help alleviate. Energy storage systems (ESS) that rely on battery technology provide essential dispatchable power to ensure grid balance and resilience, which can help keep the lights on for critical infrastructure even during grid-stressing events. In addition, this advanced battery technology provides reserve power and dynamic resource allocation for data centers – a necessity if the U.S. intends to be a global leader in AI.

Securing the Electric Grid

Despite the growing need for ESS, its role in electric infrastructure will invoke cybersecurity concerns for the foreseeable future, because an overwhelming majority of grid-scale battery technology deployed in the U.S. is manufactured by Chinese entities. In February 2024, utility giant Duke Energy removed industrial-scale batteries made by Chinese battery maker CATL from Camp Lejeune, a Marine base in North Carolina, after lawmakers raised concerns about the Chinese Communist Party's (CCP) ability to hack into the U.S. grid. To avoid compromised battery systems, it is imperative that the U.S. prioritize domestic manufacturing of ESS to ensure grid security and resiliency – which includes domestic production of the graphite found within the battery.

Maintaining Military Superiority

Specifically, within the Defense Industrial Base, advanced batteries comprised of graphite AAM enable the unique combat capabilities of U.S. weapon systems and provide the essential inputs to expand the industrial base in an emergency and maintain technical superiority against our adversaries. The war in Ukraine – and now Iran -- has rapidly transformed how modern technologies powered by batteries are utilized on the battlefield, which has boosted the Department of War's urgency to procure batteries and battery materials.

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[2] Horizon Advisory. How Beijing Controls the Global Battery Supply Chain. November 2024.
[3] The Washington Post. America's EV Ambitions Need a Graphite Plan. Fast. February 2023.
[4] Oxford Economics. Enabling North American Graphite Growth. February 2024.

For example, advanced battery systems are foundational to the performance, endurance, and survivability of drones used by the U.S. military. Batteries serve as the primary energy source for drones, powering propulsion systems, avionics, payloads, and communications equipment. This includes battery capabilities that support powering onboard payloads — including electro-optical/infrared sensors, radar, and signals intelligence equipment — as well as secure communication links, GPS, and autonomous navigation systems. These systems demand reliable and sustained electrical output, even in contested electromagnetic or low-temperature environments. Furthermore, it is estimated that the average warfighter needs 105 different batteries for a 72-hour mission.

However, as USTR is aware, China and its proxies dominate the supply chains for the graphite and the other critical minerals that make up these batteries. Considering the vital role graphite plays in our military operations, our reliance on China poses a significant "Single Point of Failure" risk within the U.S. Defense Industrial Base.

To counteract China's dominance, the United States must implement trade measures that protect domestic and allied producers and create an environment conducive to establishing independent supply chains. Failing to do so leaves the U.S. beholden to a malicious foreign actor for these materials, posing a grave national and economic security risk. The comments below use battery materials to illustrate how China has developed overwhelming graphite AAM manufacturing capacity both within its borders and abroad.

China

China's market dominance allows it to engage in hostile market practices by manipulating the price of graphite AAM across the global supply chain. By building production capacity that far exceeds global demand, China enables state-controlled entities to export highly subsidized graphite, flooding international markets and driving down prices in a deliberate effort to undermine the development of American and allied industries. This systemic overcapacity—fueled by state-driven industrial policies, extensive subsidies, weak labor protections, and limited environmental oversight—has created persistent market volatility.

Recent data indicates that China's graphite industry capacity now exceeds demand by a wide margin, intensifying the glut of low-cost materials and further destabilizing prices. Ultimately, China's ability to overproduce and distort markets is made possible by substantial government financial support, which allows its firms to outcompete and displace foreign competitors. See recent data below:

Excess Capacity[5]:

- China accounts for 92.6% of global anode capacity in 2026 (Benchmark Mineral Intelligence, March 2026), built through state subsidies, below-market financing, discounted energy, tax relief, and provincial-level scale-up support untethered from market demand.

- China's synthetic AAM production surged +35% y-o-y to 2.2 million tonnes in 2025, and natural AAM rose +20% to 282,000 tonnes, despite the global market already being in structural surplus.

[5] Benchmark Mineral Intelligence. Graphite's Next Act. March 2026.

- China's synthetic AAM capacity utilization is only ~54% and natural AAM ~49% — yet China continues to add capacity, a pattern inconsistent with market-driven investment.

- China's surplus is estimated at 1.5 million tonnes in 2025, expanding to 3.2 million tonnes by 2030, while all non-Chinese regions including North America are already in deficit as of 2025.

Market Pricing[6]:

- Chinese synthetic graphite AAM is currently priced at $4,278–$5,583/ton DDP China (BMI Anode Price Assessment, March 2026) — prices that persist despite rising raw material costs, indicating non-market pricing behavior driven by structural overcapacity.

- China's synthetic AAM production cost is $3.6/kg vs. $9.3/kg in North America — a 61% cost gap that reflects subsidized energy, raw materials, and state financing, not genuine market efficiency. China's natural AAM cost is $4.6/kg vs. $7.3/kg in North America, a $2.7/kg differential .

As U.S. market restrictions target China-based production, Chinese companies are also setting up processing capabilities in other countries. China also builds manufacturing and processing facilities abroad through strategic investments and partnerships. This concern is particularly acute in the graphite sector, where Chinese state-owned enterprises are actively forming joint ventures in third countries specifically designed to fall just outside the scope of U.S. trade rules. These structures allow Chinese-controlled operations to route graphite anode material through allied or neutral jurisdictions, circumventing U.S. trade protections. Below, we outline countries of concern.

Indonesia

In September 2024, Chinese operations began at a graphite active anode material (AAM) plant in the Central Sulawesi province of Indonesia. The $478 million plant will eventually produce up to 80,000 metric tons of AAM per year. Since operations began, Indonesian exports of AAM to the U.S. now average above 1,000 tons per month – an increase from zero exports at all. At the same time, Chinese battery material maker BTR has greatly decreased AAM exports from China. This is indisputable evidence that BTR has deliberately begun exporting more material from Indonesia instead of China to evade trade restrictions. Indonesia reinforces this dominance through aggressive resource nationalism policies, including bans on raw mineral exports and strict domestic processing requirements.

Vietnam

Both Vietnam and Malaysia are emerging as potential footprints for the expansion China's graphite operations. Vietnam is best understood as a downstream manufacturing and assembly market that remains heavily reliant on China for battery inputs. Recent trade data indicate that China is by far Vietnam's largest foreign supplier of lithium batteries, accounting for 93 percent of Vietnam's lithium battery imports. [7] Vietnam is simultaneously trying to move further up the value chain

[6] Benchmark Mineral Intelligence. Graphite's Next Act. March 2026.
[7] IndexBox. Vietnam's Lithium Battery Market Report 2026. April 2026.

through domestic battery-cell and battery-pack production, including new projects tied to Chinese partners.

Malaysia
Malaysia is a significant importer of Chinese batteries and is increasingly positioning itself as a Southeast Asian manufacturing base for battery materials. In 2025, Malaysia imported $508 million of batteries, with China as the largest source at $185 million. [8] Malaysia is not merely an end market; it is also attracting Chinese investment into battery-material manufacturing. In 2025, Hunan Yuneng announced that it would establish its first Southeast Asian manufacturing facility in Malaysia dedicated primarily to lithium battery cathode materials. [9]

Section 301 Tariffs Already Exist on Graphite AAM
As mentioned earlier, NAGA engaged USTR in the spring of 2024 to have Section 301 tariffs reinstated on three natural and synthetic graphite products from China. Our efforts were successful, and to this day 25% tariffs exist on HTS codes **2504.10.10**, **2504.10.50**, **3801.10.50**, and **3801.90.00.**

In our written comments submitted to USTR at the time, we wrote:

> *"Because China can flood global markets with cheap graphite, domestic graphite manufacturers can't secure the investments necessary to bolster production capacity to the levels needed to meet domestic demand. Trade protections must be enacted to blunt the effects of China's ability to overproduce graphite and effectively control the global market. Government intervention could, in fact, be viewed as the appropriate counter measure: China's ability to overproduce goods across several sectors is made possible due to massive subsidies and other financial incentives provided to companies by the Chinese government."*

That argument is valid two years later to an even greater degree, as China's domination of the graphite market has only grown and suffocated North American producers even further. We believe the current existence of 301 tariffs on these graphite products - based off USTR's previous judgement - provides perhaps the strongest argument that the tariffs should be continued.

The Department of Commerce Found China Was Dumping and Subsidizing Graphite AAM
In December 2024 the domestic graphite industry – led by NAGA - filed an Antidumping and Countervailing Duty (AD/CVD) trade case against China and its industry partners alleging that China was dumping graphite for less than fair value into U.S. markets and excessively subsidizing its production, therefore preventing the establishment of a domestic graphite industry.

On February 11th, 2026, the Department of Commerce issued a final determination implementing tariffs of 160% on imports of Chinese graphite. [10][11] Commerce arrived at this conclusion after extensive calculations following a year-plus long investigation that included traveling to China to audit BTR and other Chinese producers. However, on March 12th, 2026, the International Trade

[8] OEC. Lithium Batteries in Malaysia. April 2026.
[9] Malaysian Investment Development Authority. Malaysia Chosen for Battery Hub. August 2025.
[10] U.S. Department of Commerce. Antidumping Duty Final Determination. February 2026.
[11] U.S. Department of Commerce. Countervailing Duty Final Determination. February 2026.

Commission (ITC) issued a negative determination in the case. With that ruling, Commerce removed the 160% duties it had imposed just a month earlier.

We understand it was the ITC's role to determine whether China's actions were preventing the establishment of a domestic graphite industry, not to verify Commerce's calculations. But make no mistake, the evidence produced by Commerce during the investigation made one thing clear: China's graphite industry is heavily subsidized and capable of manipulating global markets in ways that make it extraordinarily difficult for domestic producers to compete. It is this fact USTR should keep in mind as it assesses fresh 301 tariffs, not the ITC's decision, which had nothing to do with the China's non-market practices.

Tariff Recommendation and Conclusion
For the foregoing reasons, USTR should match the Department of Commerce's findings and implement tariffs of **160%** on graphite products identified by HTS Codes **2504.10.10**, **2504.10.50**, **3801.10.50**, and **3801.90.00** from **China**, **Indonesia**, **Malaysia**, and **Vietnam.**

A graphite supply chain outside of China must be established U.S. for national security, economic, and energy purposes, one which provides the entire sector with clear incentives and pathways to onshore, friend-shore, and increase resiliency. And there is undeniable evidence that in the global graphite AAM market, China's actions undermine investment in domestic production, suppress prices, and increase U.S. dependence on concentrated foreign supply.

Tariffs are necessary to restore market-based conditions and support the development of a resilient U.S. graphite industry. NAGA stands ready to work alongside USTR to advance the domestic graphite industry and hold malicious foreign actors accountable through trade remedies.

Sincerely,

Erik Olson
Spokesperson
NAGA