



Manufacturing Capability Expansion & Investment Prioritization (MCEIP) Overview



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DoD Industrial Base Policy: Mission and Purpose

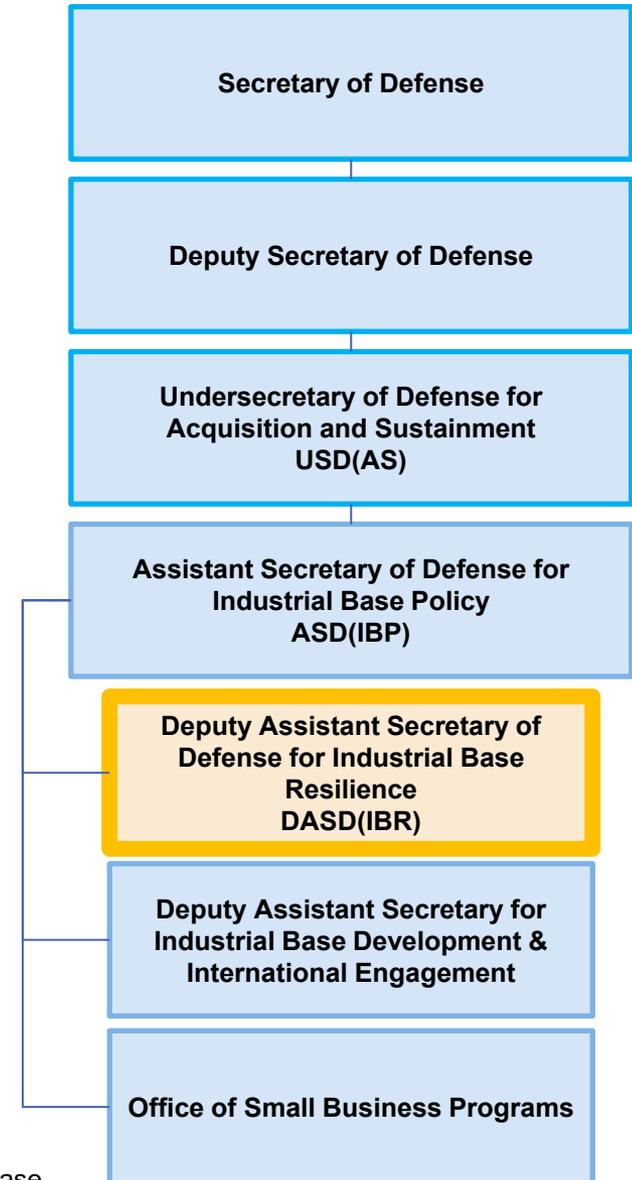


Assistant Secretary of Defense for Industrial Base Policy

Mission: Work with domestic and international partners to forge and sustain a robust, secure, and resilient industrial base enabling the warfighter, now and in the future.

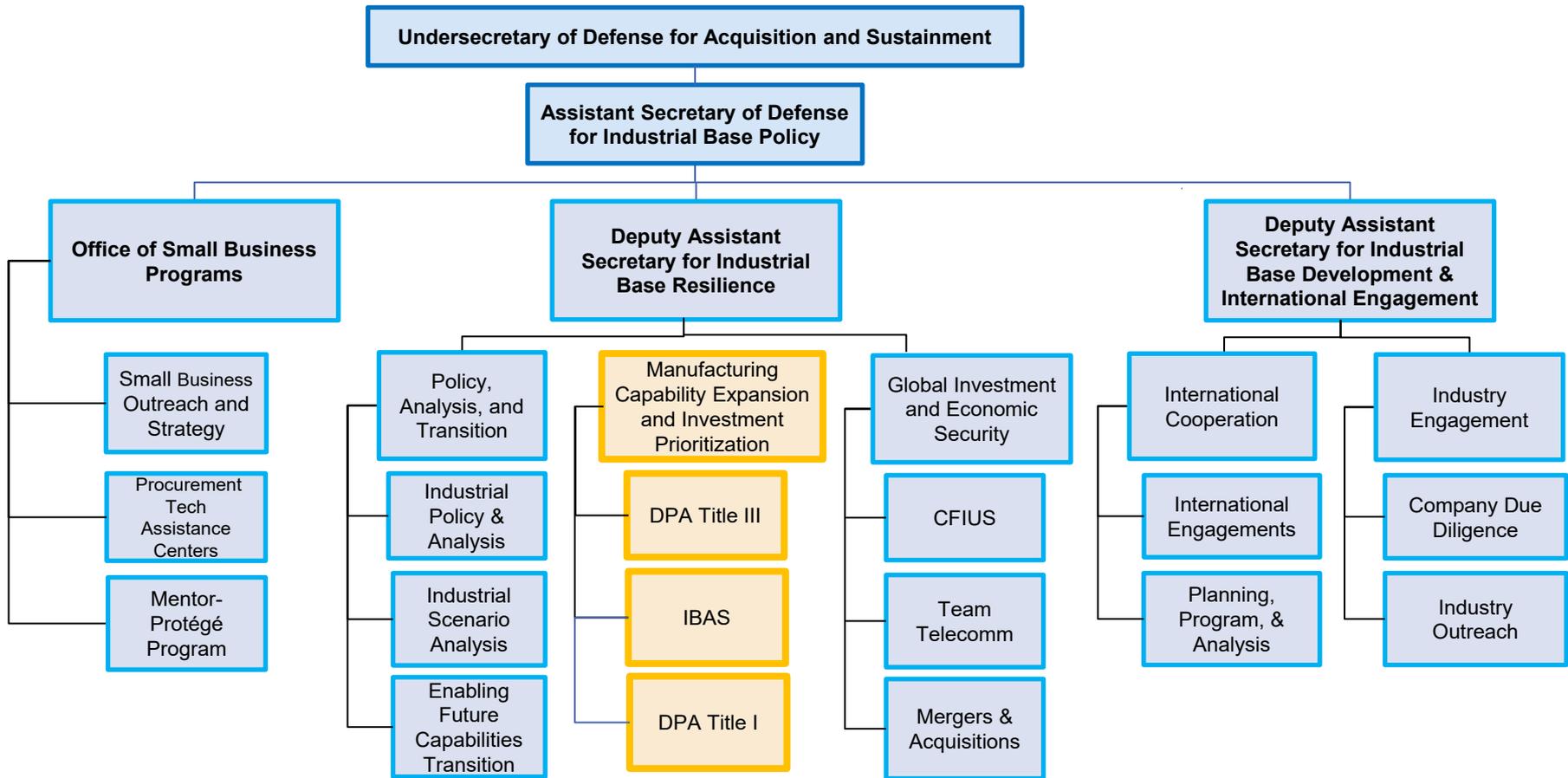
Deputy Assistant Secretary of Defense for Industrial Base Resilience

Purpose: A resilient industrial base ensures our national security by enabling the warfighter and deterring our adversaries.





OASD(Industrial Base Policy) Organization Chart





Manufacturing Capability Expansion and Investment Prioritization (MCEIP)



- ❑ Incentivizes the creation, expansion and/or preservation of domestic industrial manufacturing capabilities and materials needed to meet national and homeland security requirements
- ❑ **Manufacturing Capability Expansion and Investment Prioritization (MCEIP) is comprised of two portfolios: Innovation Capability and Modernization (ICAM) and Defense Production Act Investments (DPAI)**
 - Together these portfolios provide **complementary** flexible authorities to incentivize and strengthen the Defense Industrial Base
- ❑ **The ICAM portfolio oversees the execution of the Industrial Base Analysis and Sustainment (IBAS) authorities**
 - IBAS authorities are leveraged to improve the readiness and competitiveness of the domestic industrial base by establishing high-priority domestic capabilities for new supply chains needed for national security and mitigating exposure to global supply chain risks
- ❑ **The DPAI portfolio oversees the execution of Defense Production Act (DPA) Title I and Title III authorities**
 - The purpose of DPA Title I is to ensure the timely availability of industrial resources to meet national defense and emergency preparedness requirements through the Defense Priorities and Allocations System (DPAS)
 - DPA Title III is an investment authority committed to ensuring resilient, robust domestic supply chains in order to reduce reliance on foreign manufacturing and correct domestic shortfalls in the defense industrial base



Executive Order 14017: America's Supply Chains



BACKGROUND

President Biden signed **E.O. 14017, America's Supply Chains**, in February 2021. This order directed multiple agencies, including the DoD, to review critical supply chains.

“The United States needs resilient, diverse, and secure supply chains to ensure our economic prosperity and national security ... Resilient American supply chains will revitalize and rebuild domestic manufacturing capacity, maintain America's competitive edge in research and development, and create well-paying jobs.”

IBP FOCUS AREAS

-  Strategic and Critical Materials
-  Kinetic Capabilities
-  Energy Storage and Batteries
-  Castings and Forgings (C&F)
-  Microelectronics

STRATEGIC ENABLERS

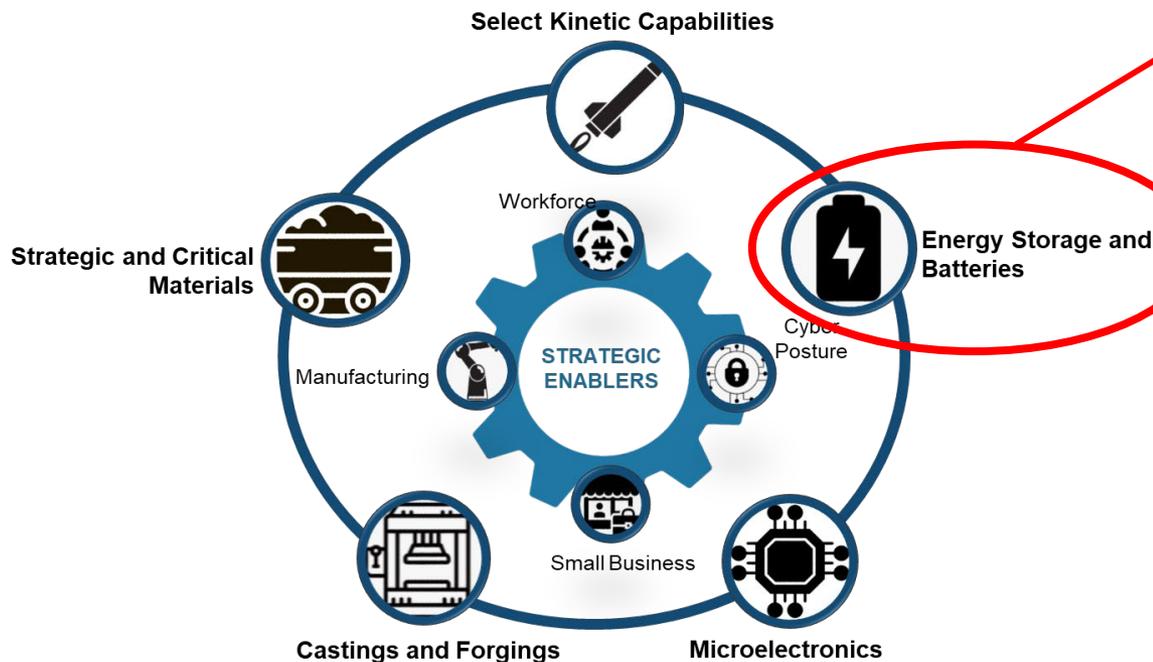
Cyber Posture – Small Business
Workforce – Manufacturing



Executive Order (E.O.) 14017, America's Supply Chains



- ❑ **Executive Order 14017** required a **whole-of-government effort** to assess risk, identify impacts, and propose recommendations in support of a healthy manufacturing and defense industrial base – a critical aspect of economic and national security.



Sector Challenges

- China's Dominance
- Custom Design Standards
- Acquisition Policy
- Supply Chain Data
- Infrastructure
- Organization and Structure within DOD

MCEIP Support: Establish domestic mine-to-battery production for EV's and weapon systems



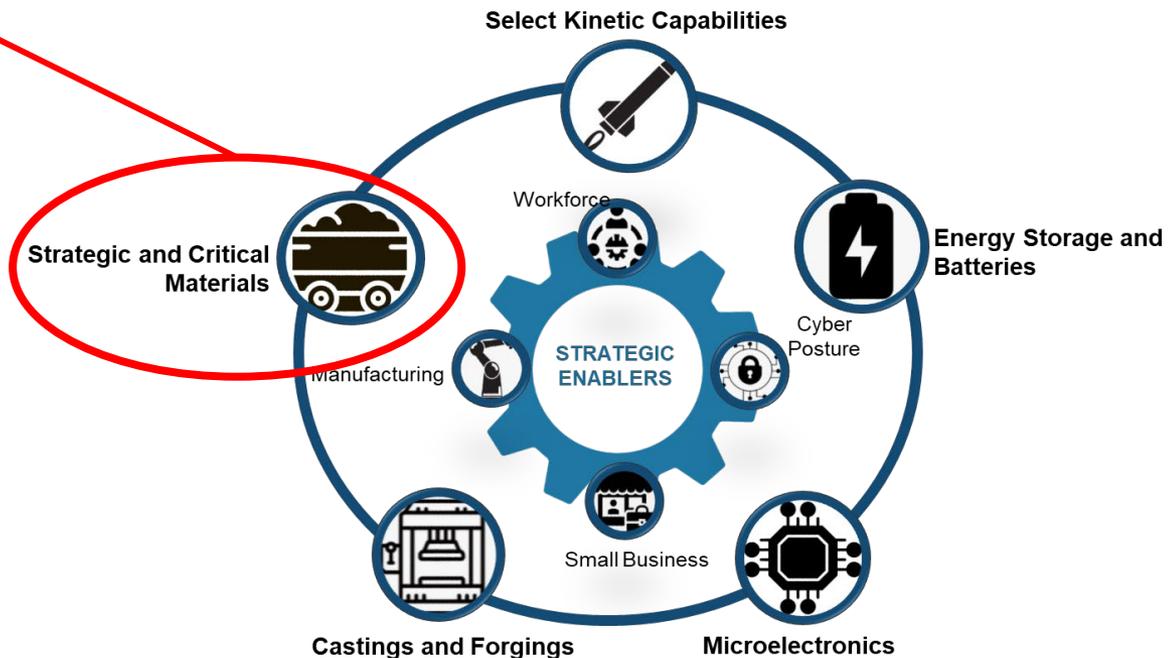
Executive Order (E.O.) 14017, America's Supply Chains



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Sector Challenges

- Concentration of supply
- Single-source suppliers
- Price shocks
- Human capital gaps
- Conflict minerals and organized crime



MCEIP Support: Establishing domestic mining, recycling, and mine-to-application (such as magnet) supply chains across all sectors



Defense Production Act Investments (DPAI)



What is the DPA?

- ❑ The DPA authorizes the President to ensure the availability of domestic sources to meet the United States' defense, essential civilian, and homeland security requirements.
- ❑ By executing its mission, the DPA Title III program reduces the nation's reliance on foreign supply chains and ensures the integrity of materials supplied to the American Warfighter.
- ❑ The DPA Title III program, governed by 50 USC 4531-4534, is one of the key investment tools of the Industrial Base Policy office.
- ❑ **The execution of Section 303 (50 U.S.C. § 4533) authorities requires the President, on a non-delegable basis, to identify a domestic industrial base shortfall as meeting three specific criteria:**
 - The industrial resource, material, or critical technology item is essential to national defense;
 - Without Presidential action under [50 U.S.C. § 4533], United States industry cannot reasonably be expected to provide the capability for the needed industrial resource, material, or critical technology item in a timely manner; and
 - Purchases, purchase commitments, or other action pursuant to [50 U.S.C. § 4533] are the most cost effective, expedient, and practical alternative method for meeting the need



DPA Title III Authorities and Priority Areas



- Defense Production Act Investments (DPAI) office oversees the execution of Titles I and III of the DPA
- The Defense Production Act (DPA), enacted in 1950 and last renewed in 2018, **provides the President a broad set of authorities to ensure the timely availability** of essential domestic industrial resources to support **national defense and homeland security requirements**.
- The DPA Title III program office has **three statutory priority areas**

50. U.S.C. §4531-4533		
Sustain Critical Production	Commercialize Research and Development Efforts	Scale Emerging Technologies
<p>“To create, maintain, protect, expand, or restore domestic industrial base capabilities essential for National Defense”</p> <p>Example: A project to sustain a heavy forging capability ensured the Navy had access to a domestic supply source for propulsion shafts and nuclear reactor containment vessels</p>	<p>“From Government sponsored research and development to commercial applications,” and “from commercial research and development to National Defense”</p> <p>Example: A project to support additive manufacturing for liquid rocket engines reduced the cost of critical components by employing this breakthrough technology</p>	<p>“For the increased use of emerging technologies in security program applications and the rapid transition of emerging technologies”</p> <p>Example: A project to expand production of inverted metamorphic solar cells which can serve as replacement for traditional germanium solar cells in photovoltaic batteries</p>



DPA Title III Statutory Criteria/Authority

- ❑ **Under peacetime conditions, the DPA statute imposes constraints on the exercise of Section 303 authorities:**
 - All investments require a Presidential Determination (PD)
 - PD's are non-expiring and able to be leveraged for different projects addressing the same shortfalls. They also vary in breadth and scope depending upon the shortfall/challenge addressed.
 - PD's are **not** an appropriation or funding mechanism nor are they a mandate to address a specific shortfall or pursue a specific course of action.
- ❑ **New DPA Title III Authority in the FY24 NDAA**
 - In addition to Canada, Australia and the UK are now considered 'domestic source', with a limitation:
 - (I) IN GENERAL.—A business concern described in clause (i)(I)(bb) may be treated as a domestic source only for purposes of the exercise of authorities under title III relating to national defense matters **that cannot be fully addressed with business concerns described in clause (i)(I)(aa).**



Defense Industrial Base Consortium

MCEIP recently awarded an Other Transaction Agreement (OTA) to create the Defense Industrial Base Consortium (DIB-C).

DIB-C Purpose

- Enable more rapid execution of Defense Production Act funding
- Address defense supply chain issues, develop the industrial workforce, sustain critical production.
- Increase participation from Non-Traditional Defense Contractors (NDCs), Non-Profit Research Institutes (NRIs), and small businesses.
- Allow MCEIP access to commercial solutions for defense requirements and innovations from industry, NRIs (academia), and NDCs.
- Allow for complementary investments from other federal agencies to build a robust, resilient modernized defense industrial ecosystem.



DEFENSE INDUSTRIAL
BASE CONSORTIUM

www.dibconsortium.org



Other Transaction Agreement Overview



- MCEIP has worked with WHS to establish a consortium-based other transaction authority (OTA) aligned with IBP priorities and completely overseen by A&S awarded 12/31/2023.
 - Able to support all IBP directorates (e.g., Title III, IBAS, OSBP, PA&T, C3/microelectronics etc.)
- 10-year period of performance, no funding ceiling
- Focused on rapidly scaling emerging technologies to build a robust, resilient domestic industrial base
 - Most OTAs focus on R&D, with minimal impact on industrial base
 - Unique value of IBP approach is leveraging OTA to stimulate growth of the industrial base

Identified Benefits of OTA	
Offers agile acquisition vehicle tailored to each project	Diversifies sources & expands industrial base
Enhances the speed of acquisition	Improves engagement with non-traditional businesses
Keeps pace with emerging commercial technology	Enables innovative approaches that reduce taxpayer costs



Innovation Capability and Modernization (ICAM)



Building the “Next Generation of the Arsenal of Democracy” through execution of the IBAS Program

Expanded use - Powerful authorities with built-in agility enables rapid pivot/re-tooling of programs

10 U.S.C. 4817 – Industrial Base Fund

1. Support the monitoring and assessment of the industrial base
2. Address critical issues in the industrial base relating to urgent operational needs
3. Support efforts to expand the industrial base
4. Address supply chain vulnerabilities

Mission

Strengthen the competitive posture of the U.S. defense industrial base in the era of global competition

Vision

A modern U.S. defense industrial base that fortifies traditional technical capabilities and forges emerging sectors to respond at-will to national security requirements

Priorities

- **Prepare the defense industrial workforce.** Promote, elevate, and accelerate the industrial talent pipelines
- **Ready the modern defense industrial base.** Advance and sustain traditional defense manufacturing sectors
- **Prepare for the future.** Identify, attract, and cultivate emerging defense sectors
- **Assess and shape risks.** Mitigate supply chain vulnerabilities within the global defense industrial base
- **Build and strengthen partnerships.** Collaborate across the global defense industrial base



Innovation Capability and Modernization (ICAM)



- ❑ Built to achieve 21st century industrial dominance
 - Convening and catalyzing on shared interests creates return on investment
 - Investments mitigate competitive issues and improve DIB readiness and force posture
- ❑ Strategic vision and partnerships aligned with national defense/economic policies
 - Broad authorities positions the IBAS Program to address challenges and achieve National Security Strategy goals
- ❑ Effective early warning “ground sensor” of industrial issues
 - Boots on the ground -walk the floors to inform and update DoD and IBP leadership
 - Tactical response to red and blue disruptions of supply chain
- ❑ **Credibility with Industry: “we talk shop” and execute at pace**
 - Full-spectrum operations—problem identification through acquisition award
 - Cornerstone consortia address broad range of industry needs
 - Acquisition strategy to award <120 days



IBAS Acquisition Vehicles

Cornerstone Other Transaction (OT) Vehicle

- ❑ Established February 2018 to be a **Government-run**, integrated industrial base resiliency mechanism to create dynamic relationships across the DIB
- ❑ Authority originates from 10 U.S. Code 2371b – Authority of the DoD to carry out certain prototype projects
- ❑ DIB resiliency and supply chain assurance initiatives focus on “prototype” projects, capabilities, and capacities supporting a broad range of requirements
- ❑ Cornerstone OT strengths:
 - Common Intellectual Property Agreement
 - Common Data Sharing Agreement
 - Common Management Agreement
- ❑ To join cornerstone and submit proposals, please visit <https://cornerstone.army.mil/>



***Cornerstone of the
American Military
Competitive Edge***



Examples

RELEASE
IMMEDIATE RELEASE

DoD Enters Agreement to Expand Domestic Lithium Mining for U.S. Battery Supply Chains

Sept. 12, 2023 | [f](#) [X](#) [↻](#)

RELEASE
IMMEDIATE RELEASE

DOD Enters Agreement to Expand Domestic Graphite Supply Chain

Nov. 29, 2023 | [f](#) [X](#) [↻](#)

RELEASE
IMMEDIATE RELEASE

DOD Awards \$12.7 Million to Increase Titanium Powder Production for Defense Supply Chains

Oct. 30, 2023 | [f](#) [X](#) [↻](#)

RELEASE
IMMEDIATE RELEASE

DOD Awards \$7 Million to Enhance Domestic Nickel and Cobalt Supply Chains

March 15, 2024



The Path Forward

Securing U.S. supply chains for critical/advanced materials is a long-term campaign requiring consistency and creativity to address complex dynamics and challenges.

The U.S. Government and DoD will continue to leverage all available tools to secure these supply chains in cooperation with intergovernmental, international, and industry partners.

U.S. Government Stakeholders in Strategic Materials Policy

President	Congress	DoD	DOE	DOI	DOC	DOS
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Tools to Secure Strategic Materials Supply Chains

Policy	<u>Investment</u>	International Partnerships	Stockpiling
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The Path Forward

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Tools to Secure Strategic Materials Supply Chains

Policy	Investment	International Partnerships	Stockpiling
<ul style="list-style-type: none"> • Analysis of vulnerabilities • Formulation of strategies • Domestic policies (tax incentives, mining laws, and much more) • DoD acquisition policies • International trade agreements and tariffs 	<ul style="list-style-type: none"> • Early-stage research and technology • Establishment or expansion of large-scale capacity • Workforce • Government-owned or Public-Private Partnership 	<ul style="list-style-type: none"> • Share information and best practices • Promote investment • Support secure suppliers in partner nations • Security of Supply Agreements (SOSA) 	<ul style="list-style-type: none"> • Reduce U.S. vulnerability to short-term supply disruptions. • Analysis of U.S. shortfall risks. • DoD National Defense Stockpile • Memorandum of Agreement for Joint Stockpiling (DoD-DOE-DOS)



Questions?

