

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND ACCOUNTABILITY

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March 13, 2024

The Honorable Willie L. Phillips
Chairman
Federal Energy Regulatory Commission
888 First Street NE
Washington, D.C. 20426

Dear Chairman Phillips:

As part of its investigation into “political warfare” by the Chinese Communist Party (CCP or the Party), the Committee on Oversight and Accountability (the “Committee”) is investigating the CCP’s destructive aims in the energy field, including its dangerous efforts to control the global lithium-ion battery supply chain. The Committee’s oversight effort encompasses the work that the Federal Energy Regulatory Commission (FERC) is doing to safeguard against serious threats to American energy security.

Broader Committee Investigation

The Committee is conducting oversight of the federal government’s work to protect the American people from CCP political warfare¹ and nefarious influence operations. For decades, the CCP has sought to infiltrate and influence every aspect of American society.² The CCP’s goal is plain: defeat the “main enemy,” which counterintelligence officials have identified as America.³ The fronts are multiple; according to the CCP itself: “[t]he battlefield will be

¹ Political warfare “seeks to influence emotions, motives, objective reasoning, and behavior of foreign governments, organizations, groups, and individuals in a manner favorable to one’s own political-military objectives.” Mark Stokes, Project 2049, *The People’s Liberation Army General Political Department: Political Warfare with Chinese Characteristics* (Oct. 14, 2013).

² See generally Constantine C. Menges, *China The Gathering Threat* (2005); Report of the Select Committee on U.S. National Security and Military/Commercial Concerns With The People’s Republic of China (“Cox Report”) (Jan. 3, 1999); Robert Spalding, *War Without Rules* (2022); Col. Grant Newsham, *When China Attacks: A Warning to America* (2023); Kerry K. Gershaneck, *Political Warfare: Strategies for Combating China’s Plan to “Win without Fighting”* (2020); see also Larry Diamond and Orville Schell, *China’s Influence & America’s Interests: Promoting Constructive Vigilance*, Hoover Institution (2019).

³ Menges, *supra* note 2; Gershaneck, *supra* note 2 (“The PRC is engaged in war against the United States. It is not mere competition or malign influence, but war by PRC definition.”); Newsham, *supra* note 2 at 60 (The CCP “seeks global domination” and “will fight its main enemy, the United States, to achieve it.”).

everywhere.”⁴ And the tools are myriad, with the “united front”⁵ leading as one of the PRC’s⁶ “magic weapons,”⁷ as described by General Secretary Xi Jinping,⁸ to advance the Party’s aim of global domination.⁹ United front work (UFW), which may be executed by the United Front Work Department (UFWD) or elsewhere in the Party, is a “unique blend of engagement, influence activities, and intelligence operations” that the CCP uses to “influence other countries’ policy toward the PRC and to gain access to advanced foreign technology.”¹⁰ UFW “generally involves covert activity and is a form of interference that aids the CCP’s rise.”¹¹ United front “networks” are used “to carry out relationship-focused influence campaigns through a multitude of proxies.”¹²

Despite years of false promises to the West, the CCP openly seeks to achieve its destructive ambition. In 1999, two People’s Liberation Army Air Force colonels authored *Unrestricted Warfare*, which has been described as a strategic military vision for the PRC to defeat America through political warfare.¹³ Retired Brig. Gen. Robert Spalding, who has served in senior positions in strategy and diplomacy with the U.S. Departments of Defense and State for decades, characterizes the book as “the main blueprint for China’s efforts to unseat America as the world’s economy, political, and ideological leader,” which “shows exactly how a totalitarian nation set out to dominate the West through a comprehensive, long-term strategy that includes everything from corporate sabotage to cyberwarfare to dishonest diplomacy; from violations of international trade law and intellectual property law to calculated abuses of the global financial system.”¹⁴ Kerry Gershaneck, former counterintelligence officer who wrote a seminal book on

⁴ Qiao Liang and Wang Xiangsu, *Unrestricted Warfare: China’s Master Plan to Destroy America* (Beijing: PLA Literature and Arts Publishing House, Feb. 1999) (military colonels describing twenty-four varieties of warfare).

⁵ “While the CCP’s United Front Work Department has functional responsibility for these [warfare] operations and activities, PRC united front work is a task of all CCP agencies and members.” Gershaneck, *supra* note 2 at 22.

⁶ It is essential to understand that Xi Jinping has removed any “veneer of separation between the [CCP] and the Chinese state.” Gershaneck, *supra* note 2 (quoting Ann-Marie Brady, *Exploit Every Rift: United Front Work Goes Global*, in David Gitter et al., *Party Watch Annual Report*, Center for Advanced China Research (2018)).

⁷ Ann-Marie Brady, *Magic Weapons: China’s political influence activities under Xi Jinping*, Wilson Center (Sept. 18, 2017); *see also* The Select Committee on the Chinese Communist Party, *Memorandum: United Front 101*, <https://selectcommitteeontheccp.house.gov/sites/evo-subsites/selectcommitteeontheccp.house.gov/files/evo-media-document/uf-101-memo-final-pdf-version.pdf>.

⁸ Alex Joske, *The party speaks for you: Foreign interference and the Chinese Communist Party’s united front system*, Australian Strategic Policy Institute (2020) (quoting Xi Jinping at 2015 Central United Front Work Meeting).

⁹ *See, e.g.*, Newsham, *supra* note 2 at 43 (“The People’s Republic of China may settle for dominance rather than occupation, but it does indeed aim to rule us all.”).

¹⁰ United Front 101 Memo, *supra* note 7 at 1.

¹¹ Joske, *The party speaks for you*, *supra* note 8.

¹² Alex Joske, *Spies and Lies: How China’s Greatest Covert Operations Fooled the World* (2022) at 63.

¹³ Gershaneck, *supra* note 2.

¹⁴ Spalding, *War Without Rules*, *supra* note 2 at xii; *see also* Robert Spalding, *Stealth War* at 12-13 (2019) (*Unrestricted Warfare* “should be required reading for all branches of the US government and for business leaders, because it outlines, in no uncertain terms, the strategy behind China’s policies,” including stating that the “new principles of war” are “no longer ‘using armed force to compel the enemy to submit to one’s will,’ but rather are ‘using all means, including armed force or non-armed force, military and non-military, and lethal and non-lethal means to compel the enemy to accept one’s interests.’”).

combatting PRC Political Warfare, has explained that *Unrestricted Warfare* details CCP use of “any methods” where “the boundaries between war and non-war and between military and non-military affairs [have] systemically broken down.”¹⁵ To successfully combat these highly organized and pervasive warfares spawned by China, federal agencies must first recognize and understand them.

The CCP “know[s] the strength of the American people, of the American idea, and that’s why China has launched so many warfares to try to weaken us, divide us, and get us to hate ourselves and each other.”¹⁶ Retired Col. Grant Newsham, former U.S. Marine Liaison Officer to the Japan Ground Self-Defense Force and U.S. Foreign Service Officer, has advised that “the way out of this is to rediscover why we are an exceptional country, get to know each other better, and fight side by side.”¹⁷

As all Americans are targets of the PRC’s warfare,¹⁸ federal agencies have responsibilities to (1) conduct outreach to citizens about the dangers they may encounter, and (2) provide appropriate incentives for Americans to proactively protect themselves—their communities, schools, houses of worship, businesses, finances, food, and more—from the threat. Federal agencies must prepare Americans to “take action.”¹⁹ To stop the CCP’s “destructive actions,” retired Brig. Gen. Spalding advises that it will “take macrolevel strategic changes by our government, but also microlevel actions by individuals, businesses and other civic institutions.”²⁰ The Committee is surveying each agency’s role to secure Americans and their communities.

Congress has recognized the threat posed by the PRC for some time. Notably, in 1999, the U.S. House Select Committee on U.S. National Security and Military/Commercial Concerns with the People’s Republic of China concluded that in the preceding decade, the PRC used a “variety of techniques including espionage, controlled commercial entities, and a network of individuals that engage in contact with scientists, business people and academics” as part of its warfare operations.²¹

¹⁵ Gershaneck, *supra* note 2 (quoting Qiao Liang and Wang Xiangsu, *supra* note 4).

¹⁶ Newsham, *supra* note 2 at 341.

¹⁷ *Id.*

¹⁸ “The Three Warfares, the traditional foundation of PRC political warfare, include public opinion/media warfare, psychological warfare, and legal warfare.” Gershaneck, *supra*, note 2. It “requires efforts to unify military and civilian thinking, divide the enemy into factions, weaken the enemy’s combat power, and organize legal offensives.” Elsa Kania, *China Brief: The PLA’s Latest Strategic Thinking on the Three Warfares*, Jamestown Foundation (Aug. 22, 2016).

¹⁹ Spalding, *War Without Rules*, *supra* note 2 at 214.

²⁰ *Id.*; see also Peter Mattis and Matt Schrader, *War On the Rocks, America Can’t Beat Beijing’s Tech Theft With Racial Profiling* (July 23, 2019) (“The U.S. government’s difficulties in telling a convincing story about the Chinese Communist Party point to a[n] important step: addressing a serious lack of ‘China literacy,’ both within the enforcement portions of the federal bureaucracy, and in U.S. society as a whole.”).

²¹ Menges, *supra* note 2; see generally Cox Report, *supra* note 2.

With varying degrees of effort and success, federal agencies have sought to address the CCP's attack on what Col. Newsham has aptly described as "[t]he core of America."²² However, the threat is grave and work must be done across agencies to protect America.²³ Peter Mattis, former staff director of the Congressional-Executive Commission of China and counterintelligence analyst at the CIA counsels that

Only by being clear in public about the actions and intentions of the Chinese party-state, and being publicly accountable for the actions the U.S. government takes in response, will the United States be able to address Beijing's challenges while upholding our democratic commitment to fair, transparent justice for all Americans.²⁴

To this end, the Committee is conducting this investigation and implores each federal agency to uphold its duty to the American communities for whom they are responsible.

CCP Threats To American Energy Security

Putting an end to American energy independence is a "good thing from China's perspective" because it "increases unemployment and inflation, as well as America's dependence on Chinese solar manufacturing and China's supply of key minerals needed for manufacturing green technologies."²⁵ "The PRC's success at getting [the American energy] industry hooked on China" has been characterized as "breathhtaking."²⁶ PRC control of lithium-ion batteries demonstrates this reality and has important national and economic security implications for America's energy distribution system.

Invested in undermining Western energy security, the CCP exploits the West's transition to cleaner energy.²⁷ The transition to net zero, cutting greenhouse gas emissions as close to zero as possible, requires companies to phase out fossil fuels by adopting electric vehicles and electricity generated by renewable energy—both industries the PRC is "keen to dominate."²⁸ The CCP understands that this transition will increase the PRC's leverage of components for sources of renewable energy.²⁹

²² Newsham, *supra* note 2 at 33.

²³ See Newsham, *supra* note 2 at 309 ("We need to know, value, protect and build the strengths of the United States of America, and shed the light of truth on the corruption, in every sense of the word," of the CCP. "That could mean in discussions with family, community, at school or wherever that understanding needs bolstering." Education courses on PRC political warfare would benefit "[a]ny decision-makers who work with China."); see Gershaneck, *supra* note 2 (outlining such courses to "build[] internal defenses").

²⁴ Mattis and Schrader, *supra* note 20.

²⁵ Newsham, *supra* note 2 at 173.

²⁶ *Id.* at 154.

²⁷ James J. Carafano, et. al, *Winning the New Cold War: A Plan for Countering China*, The Heritage Foundation (Mar. 28, 2023) at Part II.

²⁸ Newsham, *supra* note 2 at 155.

²⁹ *Id.*

The PRC controls a large share of global lithium battery production because PRC firms control access to much of the critical minerals used in lithium batteries;³⁰ and substantial CCP subsidies have given Chinese firms advantages over their global competitors.³¹ The CCP capitalizes on these vulnerable supply chains and can easily disrupt the access to the supplies needed for batteries. For example, the PRC implemented export controls on graphite as a national security measure last year.³² In 2019, General Secretary Xi Jinping visited the PRC's main hub for critical minerals, Jiangxi, to remind the West of the PRC's "trade trump card."³³ The PRC has become a global force in the transition to clean energy that is currently impossible to work around. These factors create significant obstacles to the production of electric vehicles in the U.S. as well as the use of large-scale lithium batteries necessary in our country's energy grid.

The U.S. government has recently taken several steps to increase domestic production of lithium batteries. However, the Department of Energy has acknowledged that it will be years before U.S. capabilities have matured.³⁴ Currently, American companies are reliant on PRC manufactured batteries because other options are limited.³⁵ The demand for lithium batteries will only increase as utilities and power companies supply more renewable energy. These economic security vulnerabilities have created national security concerns.

Lawmakers have begun questioning whether the growing presence of PRC manufactured batteries in U.S. energy distribution could be exploited by the CCP for seriously malign purposes.³⁶ The issue is not unlike the concerns that have spurred the U.S. government to restrict products from Chinese telecommunications companies such as Huawei and ZTE.³⁷ Huawei faces import and export restrictions due to national security concerns.³⁸ The Federal Communications Commission justified the restrictions, claiming that the agency is "[c]ommitted to protecting our national security by ensuring that untrustworthy communications equipment is not authorized for use within our borders."³⁹ Legitimate concerns have been acknowledged

³⁰ Office of the Director of National Intelligence, *Annual Threat Assessment of the U.S. Intelligence Community* (Feb. 6, 2023).

³¹ See Kenji Kawase, *China gives EV sector billions of yuan in subsidies*, Nikkei Asia (Sep. 21, 2023); Akshat Rathi, *How China Left the World Far Behind in the Battery Race*, Bloomberg (Oct. 12, 2023).

³² Ji Siqi, *China ups export curbs on key EV battery component safeguarding graphite amid US tensions*, South China Morning Post (Oct. 20, 2023).

³³ James T. Areddy, *Xi Jinping Flexes China's Trade Muscle With Visit to Rare-Earths Hub*, The Wall Street Journal (May 21, 2019).

³⁴ Press Release, *Li-Bridge outlines steps for U.S. to double annual lithium battery revenues to \$33 billion and provide 100,000 jobs by 2030*, Argonne National Laboratory (Feb. 15, 2023).

³⁵ *Id.*

³⁶ Press Release, "Rubio, Colleagues Warn of Communist China-Linked Batteries at U.S. Military Bases." Senator Rubio (December 1, 2023).

³⁷ See Matt O'Brien, *Trump administration imposes new Huawei restrictions*, AP News (Aug. 17, 2020); Diane Bartz & Alexandra Alper, *U.S. bans new Huawei, ZTE equipment sales, citing national security risk*, Reuters (Nov. 30, 2022).

³⁸ Karen Feifeld et. al, *U.S. stops granting export licenses for China's Huawei – sources*, Reuters (Jan. 31, 2023).

³⁹ Associated Press, *U.S. bans the sale and import of some tech from Chinese companies Huawei and ZTE*, NPR (Nov. 26, 2022) (quoting FCC Chairwoman Jessica Rosenworcel).

about Huawei's products being used as a backdoor to spy on America and its allies through telecommunications equipment.⁴⁰

Duke Energy disconnected lithium batteries at a military base in North Carolina after lawmakers raised concerns very similar to those surrounding Huawei's products.⁴¹ Electricity power supplies connected to lithium batteries are vulnerable to hacking because they are often connected to telecommunications equipment.⁴² The suppliers of hardware or software could create unknown entries to hackers to seize control of the system.⁴³ CCP cyberattacks could cause major disruptions to the electric grid system, threatening the safety of Americans, the economy, and our national defense. U.S. intelligence services have assessed that some of our strategic rivals, "[a]most certainly China, are capable of a large-scale cyber attack on the electric grid."⁴⁴

The batteries at the military base in North Carolina were made by Contemporary Amperex Technology Co. Limited (CATL), a PRC-based and regime-supported firm, and the largest manufacturer of lithium batteries in the world.⁴⁵ CATL is tied closely to the CCP and actively supports its objectives.⁴⁶ As a public company, CATL has been required to formalize its association with the CCP by establishing party cells in its corporate structure.⁴⁷ The company's top shareholder serves on the board of the All-China Federation of Industry and Commerce,⁴⁸ which integrates PRC business into CCP goals and has links to the PRC's Belt and Road Initiative.⁴⁹ The Belt and Road Initiative represents the PRC's most ambitious foreign policy program for which the PRC has spent hundreds of billions of dollars to build infrastructure across Africa and Asia.⁵⁰ Some officials in the West, as well as in Asia, have called the initiative a platform to expand the CCP's influence to more aggressively confront its rivals.⁵¹ Col. Newsham has written that the Belt and Road Initiative represents the CCP's efforts to "[t]ranslate economic power into political power—and eventually military power[.]"⁵²

⁴⁰ See Corinne Reichert, *US finds Huawei has backdoor access to mobile networks globally, report says*, CNET (Feb. 12, 2020); Ken Dilanian, *U.S. officials: Using Huawei tech opens door to Chinese spying, censorship*, NBC News (Feb. 14, 2020) ("U.S. national security advisor Robert C. O'Brien, [] said the U.S. had evidence that Huawei could 'access sensitive and personal information' through a so-called 'back door' in its networks.").

⁴¹ Press Release, *Murphy Meets with Duke Energy on Chinese Batteries Used at Camp Lejeune*, Congressman Greg Murphy (Dec. 4, 2023).

⁴² Sid Shaffer, *The Domestic Threat to Critical Infrastructure*, ITEGRITI (Oct. 18, 2022).

⁴³ *Id.*

⁴⁴ Office of the Director of National Intelligence, *supra*, note 30.

⁴⁵ Heejin Kim & Hongcheol Kim, *CATL Retains Top Position as World's Biggest EV Batter Maker*, Bloomberg (May 2, 2022).

⁴⁶ Henry Sanderson, *China's Electric Vehicle Battery King*, Time (Sep. 29, 2022).

⁴⁷ Kenji Kawase, *China's companies rewrite rules to declare Communist Party ties*, Nikkei Asia (Oct. 31, 2022).

⁴⁸ Leaders, *Zeng Yuqun, Vice Chairman, All-China Fed'n of Indus. & Commerce*, available at http://ht.acfic.org.cn/Leaders/202212/t20221216_186133.html.

⁴⁹ Jerome Doyon, *CCP branches out into private businesses*, East Asia Forum (Aug. 11, 2023).

⁵⁰ Rachel Savage, *China spent \$240 billion bailing out 'Belt and Road' countries – study*, Reuters (Mar. 28, 2023).

⁵¹ Lindsay Maizland, *China's Massive Belt and Road Initiative*, Council on Foreign Relations (Feb. 2, 2023).

⁵² Newsham, *supra* note 2 at 165.

CATL's affiliations provide the CCP significant influence over the company. This means CATL can be manipulated by the CCP for strategic purposes, and it subjects the company's technology and data to the will of the CCP. Several PRC laws meant to ensure subservience of business to the PRC require limitless cooperation with the CCP.⁵³ CATL has agreed to supply batteries for other commercial energy projects in the U.S.⁵⁴ Some of those projects have already been completed and are online.⁵⁵ The information obtained by CATL through its commercial business has the potential to be shared with the CCP -- potentially identifying vulnerabilities that could be exploited in a cyber-attack.

FERC regulates transmission reliability under section 215 of the Federal Power Act.⁵⁶ This authority includes transmission security. To help achieve these goals, FERC administers standards and offers financial incentives to improve reliability. The Committee recognizes that FERC has approved a series of cybersecurity rules and appreciates FERC's attention to this serious issue. Last year, FERC issued a Cybersecurity notice of proposed rulemaking to help address these threats by offering financial incentives to power companies investing in cybersecurity.⁵⁷ FERC also approved grid cybersecurity standards for monitoring internal networks⁵⁸ and rules to mitigate supply chain risks.⁵⁹ FERC, along with the Department of Energy, has great responsibility in securing our nation's electricity transmission systems.

To assist the Committee in its oversight of this matter and help us understand how FERC is securing American energy transmission and addressing CCP threats to U.S. energy and grid security, we ask for a staff briefing before March 20, 2024.

Please be prepared to outline the following in the briefing:

- (1) How FERC strives to inspire and equip Americans to strengthen their communities, innovate, and create the technologies and phenomena that will secure a strong and prosperous future for our nation;
- (2) How FERC's leadership ensures all FERC employees are aware of CCP warfare and influence operations against the U.S. and are equipped to address them wherever they arise;

⁵³ Scott Livingston, *The Chinese Communist Party Targets the Private Sector*, Center for Strategic and International Studies (Oct. 8, 2020).

⁵⁴ See Cameron Murray, *CATL supplying 1.4GWh of batteries for Primergy's Gemini US solar-plus-storage project*, Energy Storage News (Oct. 18, 2022); Jill Shen, *CATL secures deal for 450MWh storage project in Texas*, TechNode (Mar. 28, 2023).

⁵⁵ See Cameron Murray, *Duke Energy completes three Florida BESS projects totaling 34MW/58MWh*, Energy Storage News (Mar. 11, 2022).

⁵⁶ The Federal Power Act, Pub. L. 113-23 (Aug. 9, 2013).

⁵⁷ News Release, *FERC Strengthens Reliability Standards for Monitoring Electric Grid Cyber Systems*, Fed. Energy Regulatory Comm'n (Jan. 19, 2023).

⁵⁸ News Release, *FERC Approves Incentive Rate Treatment for Cybersecurity Investments*, Fed. Energy Regulatory Comm'n (Apr. 20, 2023).

⁵⁹ Anna Ribeiro, *FERC approves Reliability Standard CIP-003-9 covering supply chain risk management of low-impact BES cyber systems*, Industrial Cyber (Mar. 20, 2023).

The Honorable Willie L. Phillips

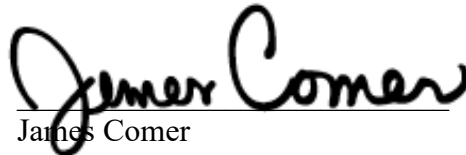
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- (3) FERC's outreach to American regional transmission operators and utilities about the risks of CCP infrastructure in the transmission system;
- (4) FERC efforts and incentives to encourage electric power transmission system operators and utilities to secure transmission systems from PRC threats; and
- (5) FERC programs conducted in conjunction with law enforcement or intelligence services for monitoring the transmission system for possible cybersecurity threats from the PRC.

To schedule the briefing or if you have questions regarding this request, please contact the Committee on Oversight and Accountability staff at (202) 225-5074. The Committee on Oversight and Accountability is the principal oversight committee in the U.S. House of Representatives and has broad authority to investigate "any matter" at "any time" under House Rule X. Thank you in advance for your cooperation with this inquiry.

Sincerely,

A handwritten signature in black ink that reads "James Comer". The signature is written in a cursive style with a large, prominent "J" and "C".

James Comer

Chairman

Committee on Oversight and Accountability

cc: The Honorable Jamie B. Raskin, Ranking Member
Committee on Oversight and Accountability