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Bill Calls for Establishment of First U.S. Rare Earth Minerals Stockpile

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U.S. Rep. Mike Coffman, R-Colo., has introduced a bill that would require the defense secretary and other federal officials to revive America's rare earth minerals industry and supplies while also calling for creation of the nation's first stockpile of the key materials.

Rare earth minerals "should qualify as materials either strategic or critical to national security," the legislation states.

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Officials in Washington "should take measures to reintroduce a globally competitive domestic strategic materials industry that is self-sufficient in the United States domestic market with multiple sources of mining, processing, alloying and manufacturing," the

bill states.

China now controls nearly 100 percent of the global supply and production of this family of elements, which is used to make crucial components in a list of American weapon systems, including jet engine turbines, unmanned planes, electric motors, radars, night-vision goggles, missiles, electronics and other items. The United States imports 100 percent of the rare earths it needs, according to the U.S. Geological Survey (USGS).

China's control, experts say, allows Beijing to dictate rare earths prices and global availability.

One industry source said March 17 that Chinese officials have decided to cap rare earth production for two years.

Most notably, the bill would require the defense secretary to begin purchasing rare earth minerals deemed critical to national security, "and place such rare earth materials in the national stockpile" within one year of enactment of the legislation.

The Coffman plan would make the Defense National Stockpile Center the administrator of the envisioned rare earths stockpile.

CHINESE DOMINANCE

Acknowledging China's dominance of the global supply and market, the House Armed Services Committee member's bill would allow the stockpile director to purchase minerals directly from the Asian giant "for five years" after its enactment.

Industry officials and analysts say the United States has never included rare earths in its national stockpile.

"There is an urgent need to identify the current global market situation regarding rare earth materials, the strategic value placed on them by foreign nations including China, and the Department of Defense's and domestic manufacturing industry's supply-chain vulnerability related to rare earths and

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end items containing rare earths," the legislation states.

Further, the legislation seeks no specific federal funding levels. It does include a section that would declare it the "sense of Congress" that to rebuild a domestic rare earths industry, the Defense, Commerce, Energy and Interior departments should apply annual funding toward "academic institutions, government laboratories, corporate research and development, not-for-profit research and development and industry associations" for "innovation, training and workforce development."

An industry source told Defense News that mining officials and advocates opted for "a policy bill" instead of one seeking large amounts of dollars for rare earths projects largely because of a calculation the American citizenry would be outraged by such a move during the ongoing fiscal slowdown.

Dudley Kingsnorth, of the Industrial Minerals Co. of Australia, said March 17 at a conference in Washington that by 2015, the world will need about 210,000 tons of rare earths. He expects China will churn out about 170,000 tons, leaving it up to the rest of the world to supply the remainder. Kingsnorth said he sees the United States, India and other nations taking the requisite steps to ensure that happens.

The one American rare earths firm, Molycorp Minerals, is working to upgrade and get its Mountain Pass, Calif., facility back online. The company's goal is to produce 20,000 tons of rare earths by 2012.

The bill calls for steps to improve market conditions once its goal of a revived U.S. rare earths industry is achieved, proposing to have the U.S. Trade Representative launch a review of international trade practices.

Coffman also wants several federal agencies, including the Defense Department, to issue guidance on how private-sector firms might obtain loan guarantees "to support the re-establishment of mining, refining, alloying and manufacturing operations in the United States that will support the domestic defense supply chain."

The legislation also would require the secretaries of defense, commerce, energy, interior and state to name assistant secretary-level individuals from their agencies. Those five individuals would compose a special interagency working group.

Coffman's bill also calls for those five departments to work on "an assessment of the rare earth supply chain and to determine which rare earth elements are critical to national and economic security."

DOD'S WORK

DoD already is working on several rare earth minerals studies, including one looking at rare earths in 24 weapons, and another to examine the national security implications of China's dominance of the global supply. The DoD study of rare earths in U.S. weapons should be finished in September, said Rick Lowden, from the Pentagon's industrial policy shop.

Coffman introduced his bill just hours after a U.S. Energy Department official announced that agency will fashion the nation's first rare earths strategic plan.

While many U.S. mining industry officials and advocates, including Coffman, are raising loud alarms about China's rare earths dominance, others say their worries are self-interested, profit-driven and overwrought.

The China situation "is not cause for all this alarm," Noah Lehrman, of the U.K.-based Minor Metals Trade Association, said during the same conference.

Several industry officials who spoke at the conference said they expect "market forces" will drive Washington and several other Western nations to build up an alternative to Beijing's rare earths dominance.

Within the rare earths sector, "the world is not ending," said Constantine

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Karayannopoulos of Neo Materials Technologies, adding he sees "no looming shortages" ahead.

What's more, Karayannopoulos told the conference, if U.S. private mining firms want to get into the rare earths business, they probably can.

"Just have J.P. Morgan write you a check for \$400,000 or \$500,000," he said. "It's happened before; it'll happen again."



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