

Congress ponders legislation to encourage rare earth production



On June 17 of this year, US House Representative, Steve Stockman, introduced Bill HR 4883 “to provide for the establishment of a National Rare-Earth Refinery Cooperative, and for other purposes. The Bill was referred to the House

Committee on Armed Services. It is a House companion bill to legislation introduced earlier in the year by Sen. Roy Blunt, (R-M). Both bills intend to reduce the United States’ reliance on Chinese rare earths by encouraging an increase in US production. Specifically, the Bills propose establishing “a thorium bearing rare-earth refinery cooperative to provide for the domestic processing of thorium-bearing rare-earth concentrates as residual unprocessed and unrefined ores.” Rep. Stockman was adamant that the United States “needs to establish this cooperative so that American corporations no longer have to relocate their manufacturing facilities and jobs to China and relinquish control of their intellectual property rights to have access to a rare-earth supply chain.”

Rep. Stockman and those who support HR 4883 are concerned by the growing possibility that the United States risks long term political and economic risks if it allows for foreign interests, business or political as they may be, to acquire or access critical US technology. China is clearly the main target of the Bill, given its dominant role in the rare earths industry and its economic threats due to their failure to honor fair industrial and trade practices such as China. Therefore, HR 4883 has been drafted to protecting American

national interests such that the US government and industry will have guaranteed access to any and all strategic technologies and materials needed to thrive in the global economy and maintaining a leadership in military technology. The problem, today, is the proliferation of the 'outsourcing' mantra, such that many of the USA has to source for critical materials (at the raw and processed stage) abroad and even beyond the confines of the NATO alliance. Meanwhile, the main suppliers, such as China, have been more than willing and capable of using quotas to control exports of strategic materials in order to advance their own political and geo-strategic interests. Publicly traded companies are also paying more attention to non-tangible business risks, sometimes included under the umbrella of 'corporate sustainability', which preclude their involvement in supplying technologies that have military applications. So many technologies today can address dual civilian/military needs with mere software or configuration changes.

HR 4883 would also encourage continued investment and promotion of domestic American technologies also encouraging the sourcing of domestic – or allied nation, given geological constraints – mineral resources and materials such as rare earths (critical in advancing batteries, missile guidance systems, radars, wind turbines, solar panels and more). The law would encourage industry to source from domestic or allied areas and easing some current mining restrictions. The rare earths mining industry has suffered as a result of China's dominant role in this sector. Few of these resources are mined in the United States to the extent needed by American industry and much of what is mined in the USA has to be processed in China. While HR 4883 is being proposed by a Republican Representative, Democrats cannot ignore it and President Obama himself has been candid in his concern over China's rare earths dominance. In the weeks leading up to the ruling from World Trade Organization (WTO) demanding China scrap its rare earths export quotas, the White House clearly stated that

these minerals are of strategic importance to the United States, given their demand for military and national security applications. Rare metals are also crucial for the advancement of battery and electric motors and so-called 'green' technology in general. This suggests that it is in neither the interests of President Obama or Congress to 'fool around' with strategic resources.

The United States is, rather quickly, pursuing a path of more direct confrontation with Russia and even with China. Washington, Moscow and Beijing are conducting foreign policy in an atmosphere that echoes the now forgotten Cold War. Surprisingly, the US Dept. of Defense (DoD) has acted rather moot about the fact that little is being done in the United States to help address the materials shortfall. The failure to follow the spirit of HR 4883 is to leave China's rare earths and critical materials virtual monopoly intact, compromising American competitiveness (as well as that of its allies) and security. Apart from Molycorp, there are emerging US rare earths companies with very interesting prospects that would certainly benefit from HR 4883 being passed such as Texas Rare Earth Resources Corp. and U.S. Rare Earths, Inc. – as there is virtually no place where the critical and heavy rare earths are being processed into something useful except for China.

Texas Rare Earth Resources Corp. ('TRER', OTCQX: TRER) is one of the contenders to become a major US domestic rare earths supplier. It has a world class deposit (including beryllium and a 70% heavy rare earth concentration) with outstanding infrastructure in Texas at the Round Top rare earth minerals project. Molycorp's difficulties have, somehow, diminished the expectations of investors and government officials that the United States might become rare earths resource independent. Yet, Molycorp represents a 'specific' case: its stock volatility and problems are not endemic to the entire industry. Molycorp is concentrating on light rare earths, even though it built its case on the premise of being able to

deliver the much in demand 'heavies'. TRER's deposit, nevertheless, shows a very clear mineralogical pattern which has proven to be heap leachable, which is similar to what might be found in China. As a result, TRER is working on a special metallurgical process to deliver looking for a strategic partner in its next phase of development. TRER's land and the China clay deposits are the only REE deposits in the world to use simple heap leach processing. TRER can also boast low CAPEX and significant profitability. TRER is a "multi-trick pony" comprising of at least 25 minerals, 15 of which rare earths along with thorium and uranium. TRER can also capitalize on its beryllium (298,000 ton historical resource estimate) and niobium resources. TRER is also mining on state land therefore its licensing pathway I through the State of Texas not the Federal Government and Texas is most definitely resource friendly State – which implies several advantages from the time needed to make decisions to the friendlier mentality toward resources.

U.S. Rare Earths, Inc. ('USRE', OTCBB: UREE) is another contender thanks to its mining Lemhi Pass property (western Montana and eastern Idaho) showing high concentrations of critical rare earths. USRE expects to begin processing by 2017 and the Company expects to do so in the United States. The exploration record at Lemhi Pass suggests that it may hold the highest concentrations of rare earths elements in the U.S. USRE intends to revisit existing horizontal mines extending underground more than 400 meters, which have already proven to contain mineralized veins of critical rare earths. Lemhi Pass has having some of the highest concentrations of rare earth elements in North America. USRE is one of the companies outside of China presenting itself as a comprehensive critical rare earth supplier from mining to processing. USRE can rely on a very experienced management and exploration team with many and successful years of experience in the sector and their determination to create an wholly American complete supply-chain solution, which will include a separation mill

for the critical and heavy rare earth elements in the continental United States.

Molycorp and Lynas Corp are processing outside of China (California and Malaysia respectively) but, so far, this activity has been limited to light rare earths (LREE). In the U.S. and in the rest of the world there is high pressure to develop new deposits and new processing facilities as China's production share has started to drop in response to some new capacity and – mostly – to internal restrictions related to intensifying environmental controls. Nobody has offered any alternative to the processing of rare earths even while China's share of the global production is expected to drop significantly if the government continues to enforce tougher environmental regulations affecting both the extraction of the raw materials and their transformation into marketable products.