

Report spotlights Pentagon's critical mineral worries

Annie Snider and Manuel Quinones, *Environment & Energy Publishing*, 10-7-11

The Pentagon this week said it is "essential" to establish reliable, non-Chinese sources of rare earth minerals, publicly revealing for the first time the Defense Department's concern about the Asian giant's near-monopoly on the strategic materials.

Rare earth minerals are used in a wide array of defense equipment, from smart bombs to fighter jets, but DOD is a relatively small consumer compared to the clean-tech and refinery industries. According to a [report to Congress](#) that was released this week, defense uses account for about 7 percent of the global market.

Those uses, however, trump civilian needs, the report said. It recommended that DOD develop a communications plan to ensure industry understands that defense products should receive higher priority than commercial products if there is a supply crunch.

China has lowered export quotas, sending prices up. And after the country cut off exports to Japan during a territorial dispute last year, the security community has been worried about Beijing's willingness to use access to the critical minerals as political leverage.

China has made it clear it intends to focus on internal needs for rare earths, meaning larger quotas in the future are unlikely. However, analysts say the United States and other countries could increase production and become independent from China for the key elements within several years, especially for light rare earths.

Earlier this week Molycorp Inc., the main U.S. producer of rare earths, announced it is exploring deposits of heavy rare earths in hopes of helping meet global demand. The company is one of several looking to break the world away from Chinese dependence for the elements.

Such companies could get a boost from DOD. The report recommends that the Pentagon talk with rare earth companies about what assistance they need and raises the possibility of invoking DOD's special authorities for developing defense-critical industries. Those include the ability to invest directly in a sector, the right to enter into long-term purchase agreements, and the power to indemnify a producer against lawsuits related to intellectual property violations if a company's work is a critical issue of national security.

The Pentagon should also develop risk mitigation strategies for the rarer heavier elements, the report says, but that will likely require DOD get a better grasp of its own needs. Earlier this year, Rep. Mike Coffman (R-Colo.) said a non-public Pentagon study on the military's vulnerability to supply disruptions was sloppy, and last month an expert told lawmakers that DOD still has much homework to do.

"Despite years of instruction by Congress, I don't think the Defense Department is anywhere near a good estimate of [its reliance]," Christine Parthemore, a fellow at the Center for New American Security, told a House panel.

Coffman, who sits on both the House Natural Resources and Armed Services committees, added a provision to the 2012 defense bill calling for DOD's logistics agency to develop a plan for building a defense stockpile of rare earth elements.