

## **Funds for rare-earth mineral mine sought**

*HIGH DESERT: Rep. Jerry Lewis seeks a \$3 million earmark to restart the mining of elements used in numerous electronics.*

**Ben Goad, Riverside Press-Enterprise, 10-16-09**

Deep underground in San Bernardino County's High Desert lies one of the world's richest deposits of rare-earth minerals, key to producing everything from DVD players to hybrid cars and guided-missile systems.

The Mountain Pass Mine, a cavernous hole in the ground northeast of Baker, has been virtually dormant for years while China has dominated production of the 15 or so rare-earth minerals prized for their conductive, phosphorescent and magnetic properties.

Now, amid fears that China will reduce its mineral exports, a group of investors is poised to jump-start operations at the mine. Their push is getting a boost from Inland Rep. Jerry Lewis, who is attempting to steer \$3 million in federal funds toward the project.

Lewis, R-Redlands, said the project would help ease national security concerns and make the United States more competitive in the global marketplace.

"Our public, if they knew the importance of rare-earth elements to our national security, would not want us to be dependent on China," said Lewis, the top Republican on the House committee charged with overseeing federal spending.

The revitalization of the Mountain Pass Mine also would bring hundreds of jobs to San Bernardino County, which has been ravaged by unemployment.

But Lewis is taking heat for the proposed funding, partly because he attached his request as an earmark to a draft version of the Defense Department's annual spending bill.

Earmarks are spending directives inserted by lawmakers into legislation, often without any formal vetting process and sometimes without a vote.

Also, the desert mine is a private business that already stands to turn a profit for its investors. They include Goldman Sachs Group Inc., the investment-banking giant that already received a federal bailout.

Further, critics say the Department of Defense would have included the funding in its annual budget request if the mine were a national priority.

"The Defense Department is not normally bashful about asking for money," said Steve Ellis, vice president for Taxpayers for Common Sense, a Washington-based government watchdog group that tracks the use of earmarks.

### **Economic shifts**

A group of uranium prospectors first discovered the mineral deposit in 1948, according to Mark Smith, chief executive officer for Molycorp, the Colorado-based firm that runs the mine.

Government estimates say the mine contains at least 200 million tons of rare-earth mineral ore. Smith said a study of the mine to be completed by November could determine there is much more rare earth than previously estimated.

The mine sits on a 2,200-acre swath of private property near the northern edge of the Mojave National Preserve. Molycorp has drilled 400 feet, following the ore at a 45-degree angle.

"We haven't found the bottom yet," Smith said.

The renewed interest in U.S. production of rare-earth elements follows years when nearly all of the material was mined in China.

The United States, for example, gets about 87 percent of its rare-earth elements directly from China, according to the U.S. Geological Survey. Much of the remaining amount originates in China but comes to the United States via other nations.

China's expanding economy is requiring more and more of the raw materials. Also, the nation has recognized the increased value of manufactured products rather than raw materials, said Dave Menzie, chief of the geological survey's international minerals section.

"They don't want to export concentrate; they want to export finished product and goods," Menzie said of China.

China's increasing demand for the minerals has resulted in a 5 to 10 percent decrease in rare-earth exports every year, Smith said. In August, an internal government document leaked to the Chinese news media revealed a draft plan to further cut exports and entirely prohibit some of the minerals, including dysprosium and terbium.

While China has since backed off that plan, it prompted U.S. officials to take a hard look at the problem.

### **support from lewis**

The Defense Department has begun assessing its own need for the minerals, which are used in jet fighters, surveillance equipment and virtually all weapons systems. But the agency's study is far from complete. The government buys much of its equipment from private defense firms and doesn't keep track of what minerals are required to build and operate the products.

"There's a lack of information on Defense's part about what it actually uses, since they work through contractors," Menzie said. "If you don't know your requirements, you don't know what to stockpile."

The Defense Department has taken no position on Lewis' earmark.

"If the aforementioned study indicates there is an unacceptable risk of supply chain disruption, investment in rare earths would be logical," Pentagon spokeswoman Cheryl Irwin said.

Congress, which is charged with appropriating federal funds, doesn't need to wait for the Defense Department to support a push toward American production of rare-earth minerals, Lewis said.

"Once in a while, members of Congress can raise questions that are ahead of the curve," said Lewis, who pointed to his early earmarks for the now-popular Predator unmanned aircraft. "I've put the needle in the behind of the Department of Defense."

Rare-earth elements also are vital to the production of household electronics and "green" energy sources such as more efficient light bulbs and wind turbines, Smith said. Thus, the minerals are essential to meeting new energy standards proposed at the state and federal levels in California, he said.

"Without them, those technologies won't exist, and none of these policies will ever come to fruition," Smith said.

Molycorp and its investors hope to expand their production of rare-earth minerals ten-fold by 2012. Under their plan, they would be able to produce 20,000 tons of the minerals per year, an amount equivalent to a fifth of the world's current demand.

The plan involves overhauling the current mine, which could cost anywhere between \$200 million and \$450 million.

The firm is looking at payment options, including traditional bank financing and low-interest government loans. In any scenario, the enterprise isn't expected to be profitable until the third or fourth year, he said.

The \$3 million earmark, Smith said, would allow the company to pursue new technology aimed at reducing the cost of processing the ore by recycling water needed for the process.

"What we're talking about is a very small level of help to get us over that last technological hurdle," he said.