

**U.S. Senate Budget Committee Hearing
Warrior Met and Wall Street Greed: What Corporate Raiders
are Doing to Workers and Consumers**

Thursday, February 17, 2022

- Second, the United States must compete on a global basis against China and the European Union for access to critical minerals and must address the geographic concentration of both extractive and processing activities. To reference the most obvious example, China's dominant position in the supply chain stems not only from its ownership and control of critical minerals mines, but also processing facilities.
- Third, there is a governance challenge that impacts the first two vulnerabilities in which mining firms from the United States and other western countries must adhere to justifiably stringent compliance measures in the areas of environment, society and transparency/anti-corruption regulations, regardless of whether they are operating domestically or internationally. Permitting and legislative restrictions on U.S. mining firms place them at a competitive disadvantage compared to Chinese competitors and provide a strong disincentive for developing resources within the United States.

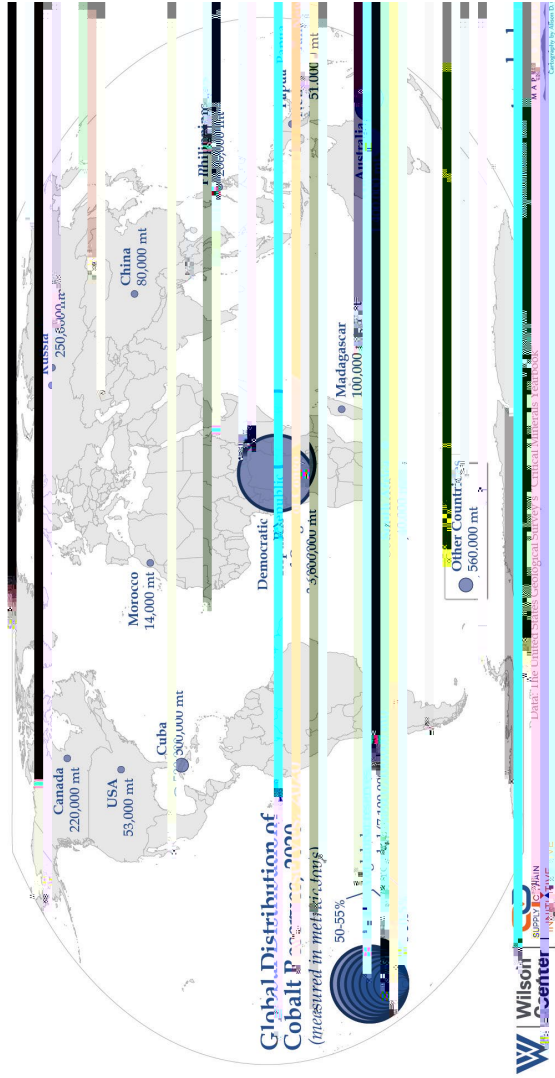
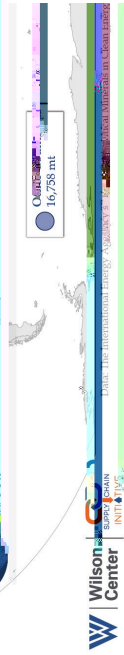
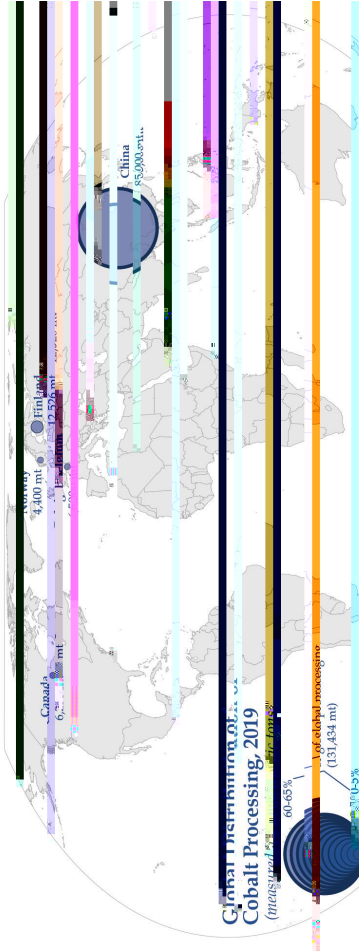
The first challenge is the scale and pace of rising demand. As mentioned, demand for critical minerals outpaces that of supply, and will continue to rise, particularly considering the key role that critical minerals will play in the clean energy transition. An International Energy Agency (IEA) assessment found that to reach the Paris Agreement goals of a less than 2° Celsius rise in global temperature, clean energy technologies would demand four times the current mineral input by the year 2040. The IEA foresees mineral demand specifically for electric vehicles and grid storage for EV batteries to increase at least 30 times by 2040 and estimates a tripling of mineral demand by 2040 for low-carbon power generation.

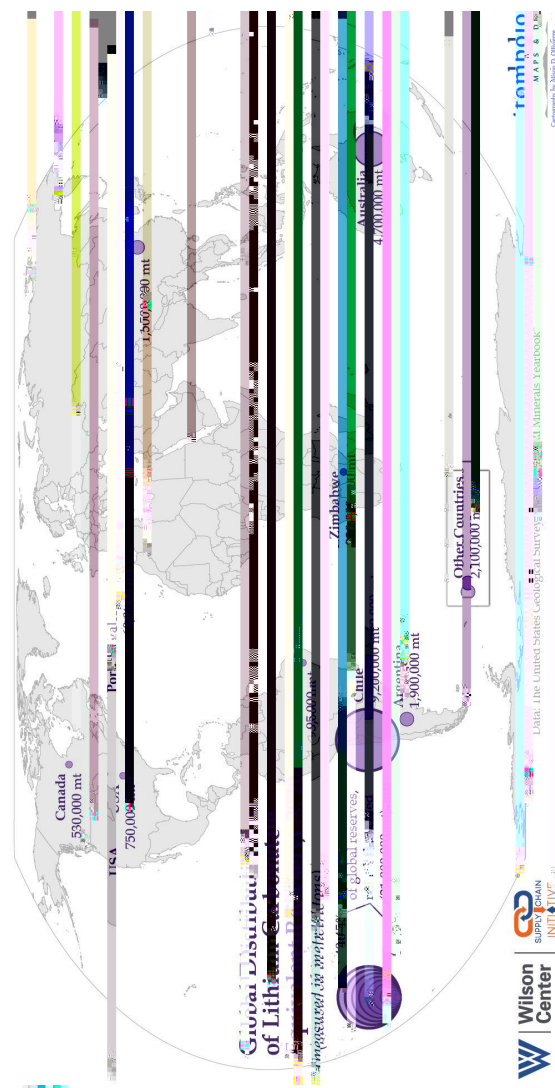
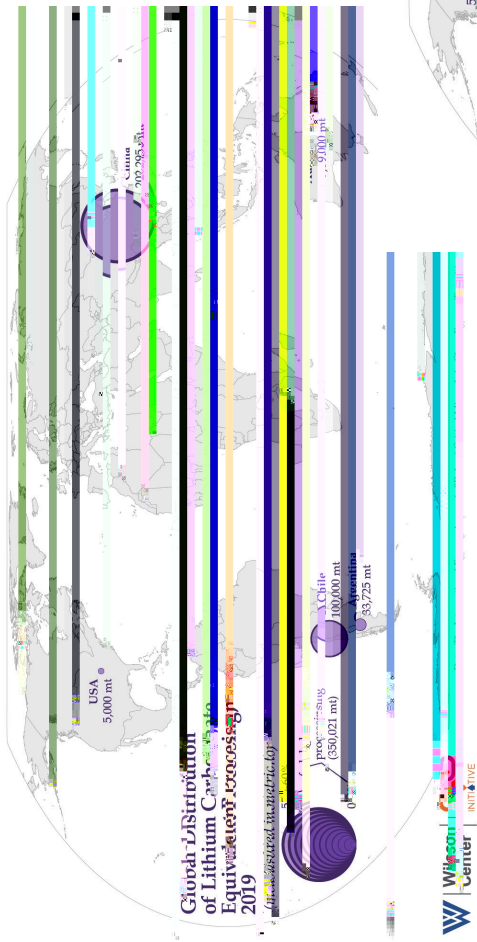


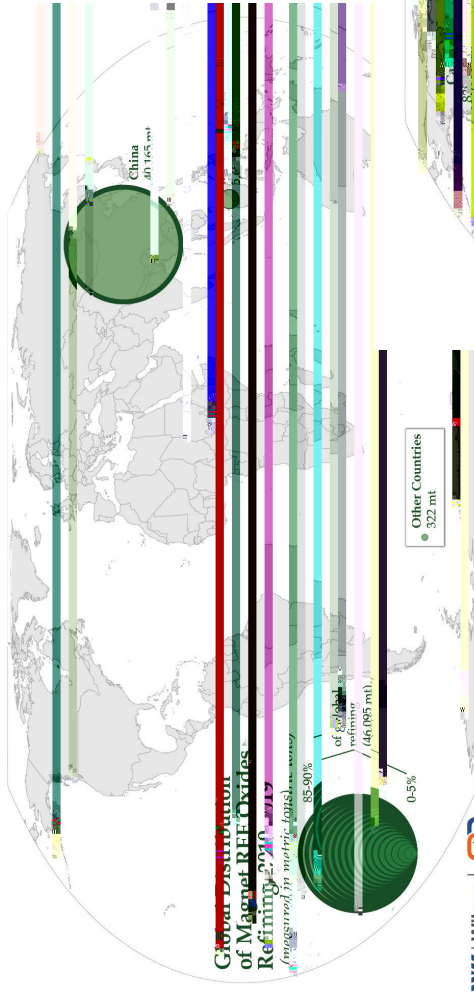
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While these predictions take place over the course of decades, exponential increases in demand for lithium are already happening. In a 2021 quarterly earnings report SQM, the second largest lithium producing company in the world, predicted global lithium demand to increase by nearly 50% in 2021. Already unable to keep pace, considering lag time, permitting challenges and underinvestment in infrastructure, technological innovation, and human capital, this issue will continue to compound.

excessive concentration of that capacity in countries like China, make the United States especially vulnerable to interruptions in supply. The Biden administration's 100-Day review concluded: "For the second supply chain step of refining and processing, the U.S. has an even more significant deficit than in raw production capacity as critical minerals mined in the U.S. are often exported for processing. Increasing U.S. processing capacity alone would bolster the supply chain ... Currently, the U.S. has limited raw material production capacity and virtually no







SNL Mining estimates that excessive permitting regimes decrease the expected value of a mine by half as a direct result of increased costs and risks directly associated with prolonged permitting requirements. Additionally, SNL Mining found that delays associated with permitting result in the loss of one third or more of the mining project. The impact of U.S. bureaucratic hurdles in the permitting process is best illustrated by the fact that the U.S. comprises only 11% of global spending on global mining exploration, meaning that the majority of U.S. investment goes toward existing mines and mining projects, thus making it exceedingly difficult for the U.S. to compete on the global scale against formidable competitors such as China. Attempts to reform permitting in the U.S. have been met with significant challenges, particularly as permitting becomes increasingly politicized and subject to multiple levels of legal challenges.

To help reduce the exceedingly long lead times for mining projects mentioned earlier in this paper, the U.S. government should look again at international best practice for regulation and permitting. Compliance costs billions of dollars and impedes the competitiveness of U.S.-based mining projects; delays in bringing resources to market are even more costly. As Canada's Fraser Institute argues, "The permitting process is costly for firms, as they must invest time and resources to comply with the permit's requirements. These costs can rise when the process lacks transparency or is uncertain, adding additional risk to firms and reducing a jurisdiction's competitiveness."

It is vital to recognize that we are not suggesting a lowering of standards. Strong environmental protections remain a priority for mining companies, in part due to the demands of investors, in part due to the demands of end users to "green" the value chain, and in part due to increased public oversight. Rather than lowering standards, it is the regulatory and permitting process that requires review. Regulatory innovation that takes firm competitiveness and national, geopolitical, and climate objectives into consideration is desperately needed to provide more transparent timelines for permitting, clearly define the roles of different agencies to avoid regulatory duplication, and to allow for shared responsibility between regulators and the firms they regulate. Again, looking to Canada, the province of Alberta has adopted what amounts to an honor system for hydrocarbons regulation, with heavy penalties for those that break the rules. Combining this approach with robust oversight would allow for speedier permitting, while providing strong incentives to respect ESG rules.

At the same time as the U.S. government addresses its own permitting challenges, it must work with industry and with its allies overseas to develop binding

international standards to level the playing field in environmental, social governance. These standards should be applied to both extractive industries and to the processing plants that transform the raw materials. Of particular importance is the issue of transparency and disclosure. This means both improving minimum standards for disclosure and developing a life-cycle approach to climate disclosure for products. As such, there must be a concerted global, cross-industry effort from the highest-l

develop a more harmonized approach to questions of environmental and social governance (ESG) to ensure a level playing field for American firms. Furthermore, U.S. critical mineral development must be accompanied by collaborative efforts around the world to supply minerals not readily found here in the United States.

The clean energy transition cannot happen without critical minerals. To secure the critical minerals supply chain, the U.S. government must work with the extractive industries at home and abroad to facilitate responsible and environmentally conscious extraction in as efficient a manner as possible.