

ROBERT E. LATTA
5TH DISTRICT, OHIO

ASSISTANT MINORITY WHIP

COMMITTEE ON
ENERGY AND COMMERCE

SUBCOMMITTEE ON
COMMUNICATIONS, TECHNOLOGY AND THE INTERNET

SUBCOMMITTEE ON COMMERCE,
TRADE AND CONSUMER PROTECTION

SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS

Congress of the United States
House of Representatives
Washington, DC 20515-3505

WASHINGTON OFFICE:
1531 LONGWORTH HOUSE OFFICE BUILDING
(202) 225-6405

DISTRICT OFFICES:
1045 NORTH MAIN STREET
SUITE 6
BOWLING GREEN, OH 43402
(419) 354-8700

101 CLINTON STREET
SUITE 1200
DEFIANCE, OH 43512
(419) 782-1996

11 EAST MAIN STREET
NORWALK, OH 44857
(419) 668-0206

December 14, 2010

The Honorable Barack Obama
President
The United States of America
1600 Pennsylvania Avenue NW
Washington, D.C. 20500-0005

Dear President Obama,

I am bringing to your attention the serious issue of Rare Earth Elements (REEs) that must be addressed, since they are critical to the defense of our nation and to our manufacturing, mining and technological bases. REEs are essential in many important aspects: from how we live, to what we do and how our lives are protected on a daily basis. For decades, the United States was completely independent when it came to rare earth element production; however, today the United States is 100 percent dependent on foreign sources while global demand continues to grow by upwards of 300 percent since 1980.

Rare earth elements form the largest chemically coherent group, 17 elements, in the periodic table- scandium, yttrium and the 15 lanthanides. Despite being given the name of "rare earths", these elements are not rare at all, but actually found in fairly significant concentrations throughout the world just below the earth's crust. REEs are usually found with other elements such as copper, gold, iron, phosphates and uranium. REEs were often produced as a byproduct of these larger concentrated elements. Rare earths are often classified into two groups: heavy rare earth elements (HREEs), and light rare earth elements (LREEs), according to their atomic weight and location in the periodic table. LREEs make up almost 99 percent of the total deposit, while the heavier elements are much scarcer and more heavily desired.

Since 2002, when the Mountain Pass, California production facility ceased its operations, the United States has been at zero percent production of REEs. In 2009, China controlled roughly 95 percent of the REE mine production, while India controlled 2 percent, Russia and other former Soviet Union countries controlled 2 percent, and the rest of the world controlled 1 percent. According to a November 17, 2010 United States Geological Survey (USGS) report, 13 million metric tons and a reserve base of 14 million metric tons of rare earth elements exist within known deposits in the U.S. This report describes major deposits of REEs in 14 states, with the largest known REE deposits still located at Mountain Pass, California as it did when the mine was still in full production up until 2002. Additional states with significant deposits of REEs include Alaska, Colorado, Florida, Georgia, Idaho, Illinois, Missouri, Nebraska, New Mexico, New York, North Carolina, South Carolina and Wyoming. USGS Director Dr. Marcia

McNutt has stated that this report “will be very important, both to policy-makers and industry...Although many of these deposits have yet to be proven, at recent domestic consumption rates of about 10,000 metric tons annually, the U.S. deposits have the potential to meet our needs for years to come.”

The survey states the United States imports 91 percent of the United States’ REEs from China, while 3 percent each come from France and Japan, 1 percent from Russia, and 2 percent from the rest of the world. The report went on to explain that China has increased export taxes on all rare earth materials at a range of 15 to 25 percent, which increases the price of inputs for the rest of the world.

In 2009, China’s export quotas totaled 50,145 tons of REEs, while in 2010 they totaled 30,259. This equated to a drop in exports by 40 percent. From the second half of 2009 until the second half of 2010 alone, Chinese export quotas dropped 70 percent. This is an alarming statistic, especially if projections continue down the current path as China’s economic growth and demand for REEs expand and China seeks better control over global prices and supplies of the REE world market. It is projected that by 2012, China’s demand for REEs will surpass their production, and by 2014 worldwide demand will surpass worldwide production. REE experts have suggested that the Chinese are setting export restrictions to not only meet their demands but to force manufacturing of end-use products to be made in China.

Due to the recent actions by China in 2009, the United States filed disputes against China for its export restrictions on nine raw materials used to make steel, aluminum and chemicals. In October 2010, United States Trade Representative Ron Kirk announced that he was launching a Section 301 investigation into China’s policies affecting trade and investment in green technologies, including its policies on rare earth. While these are steps in the right direction, the United States must look at rebuilding its domestic supply chain and become the leader again in innovation and trade of REEs.

Even the U.S. military, which relies on REEs for lasers, missiles, radar systems, and other technologies, have shown its strong concerns about our dependency on foreign REEs. According to an April 2010 United States Government Accountability Office (GAO) report required under Section 843 of Public Law 111-84, the National Defense Authorization Act for Fiscal Year 2010, rare earth materials’ processing performed in China give it a dominant position that would affect worldwide supply and prices. Additionally, according to the report, rebuilding the once independent United States rare earth supply chain could take up to 15 years. This is troubling since our own national defense and national security reliance for these materials are solely dependent upon foreign sources such as China. In addition, the report stated that once a United States mine company has secured the necessary capital to start production, government and industry officials said it can take anywhere from 7 to 15 years to bring a property fully online, largely due to the time it takes to comply with the burdensome state and federal environmental regulations.

I represent constituents and businesses, all of which will be drastically affected by rare earth mineral production if the United States does not move forward to reduce its dependency from foreign sources. REEs are critical materials and the potential impacts are severe if imports into the United States continue to be reduced, and reserves are further depleted. HREEs are at a

greater risk than LREEs, as substitutes are unavailable, which places a further significance on the United States to reduce its dependency on foreign REEs by producing domestically. The United States not only needs to focus on rebuilding their REE mining projects, but also need to ensure that downstream refining and alloying facilities are constructed and brought online. Not only will this strengthen our national security and defense, but will also create jobs and reinforce our manufacturing, mining and technology base. In closing, I ask that you recognize that rare earth mineral development here in the United States is vital to the overall safety of our citizens and economy. I hope that you will direct the Environmental Protection Agency, Department of Commerce, Department of Defense, Department of Energy, and Department of the Interior to rebuild the rare earth element supply chain here in the United States.

Thank you for your consideration of this request, and I look forward to your earliest response on this highly critical issue.

Sincerely,



Robert E. Latta
Member of Congress

Cc: Ken Salazar, Secretary, Department of the Interior
Lisa Jackson, Administrator, Environmental Protection Agency
Robert Gates, Secretary, Department of Defense
Steven Chu, Secretary, Department of Energy
Gary Locke, Secretary, Department of Commerce