Testimony of
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before the
United States House of Representatives
Committee on Natural Resources
Subcommittee on Energy and Mineral Resources

*"America's Mineral Resources: Creating Mining and Manufacturing Jobs and Securing America"*
*and*
*H.R. 761, Strategic and Critical Minerals Production Act of 2013*

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Good morning. I am Hal Quinn, president and chief executive officer of the National Mining Association (NMA). NMA is the national trade association representing the producers of most of the nation's coal, metals, industrial and agricultural minerals; manufacturers of mining and mineral processing machinery, equipment and supplies; and engineering and consulting firms, financial institutions and other firms serving U.S. mining.

Today I am testifying in support of H.R. 761, the Strategic and Critical Minerals Production Act of 2013. I want to thank Representative Amodei for reintroducing this very important legislation. It enjoys bi-partisan support and addresses a key issue for the country's future economic growth and manufacturing revival: the painfully slow permitting process for the mines that supply metals and minerals essential for our basic industries, our national defense and the consumer products we use. I also want to thank the subcommittee, especially Congressman Lamborn, for the leadership and persistence in raising the visibility of a growing problem – the availability and security of mineral supplies critical to innovation, manufacturing, national security and our economic growth.

## U.S. Mining's Contribution to Society

Mining's contributions to our economy and society are significant. The value added by major industries that consume the $77 billion of minerals produced in the U.S. was an estimated $2.4 trillion in 2012, or 15 percent of our GDP. Mining's direct and indirect economic contribution includes nearly 2 million jobs with wage and benefits well above the state average for the industrial sector. In addition, domestic mining generated $50 billion in tax payments to federal, state and local governments.

In addition to these economic contributions, U.S. metals mining's commitment to employee safety and health has led to continuing improvements in our performance and includes the introduction of our CORESafety® initiative last year, which relies on a systems approach to eliminate fatalities and reduce the injury rate at U.S. mines by 50 percent within five years. We also developed last year a systems approach to environmental management at hardrock mines with a special emphasis on practices to assist smaller operations with improvements in environmental outcomes.

## U.S. Mining's Potential

Mining's potential is even greater than its current performance. The United States has an immense and enviable mineral endowment waiting to be tapped. For example, Resolution Copper's world class copper deposit represents one of the largest undeveloped copper resources in the world and is anticipated to have a 50 year mine life that will support over 3,700 jobs annually.

Overall, when viewed through the lens of resource potential, the U.S. is underperforming, a fact that will have increasing consequences as global demand for minerals becomes more competitive due to the demands of developing economies, where millions are being propelled into a rising global middle class. Last week, the United Nations Development Program released a report that examines the profound shift in global dynamics driven by the fast-rising new powers of the developing world.

The report, *The Rise of the South: Human Progress in a Diverse World,* includes in its classification of "the South" nations in the Southern Hemisphere as well as China and India. The report emphasizes the shift is occurring not just in large middle-income developing nations such as Brazil, Argentina, India and China, but also in more than 40 other up-and-coming countries that in recent decades have made astonishing gains in what's called human development. As one of the report's authors noted, "The Industrial Revolution was a story of perhaps a hundred million people, but this is a story about billions of people."

Clearly demand for minerals will continue to grow, fueled by these fast growing economies. Growing demand presents opportunities and challenges for both U.S. mining and the nation. These trends point to enormous growth and job-creation opportunities if U.S. mining is allowed to perform to its potential. If we do not and become increasingly marginalized, the consequences are severe for our nation's global competitiveness, forcing us to become more reliant upon extended and unstable supply chains for what we can produce here.

## Permitting Poses a Major Obstacle

So while the United States has one of the world's greatest mineral repositories, our ability to get these minerals into the supply chain to help

meet more of America's needs is threatened. A major obstacle to the U.S.' reaching its potential is the length of time consumed in obtaining permits to mine in the U.S. Authorities ranging from the National Academy of Sciences to the Departments of Energy and Defense to international mining consulting firms have identified permitting delays as among the most significant risks and impediments to mining projects in the United States.[1]

The U.S. has one of the longest permitting processes in the world for mining projects. In fact, the length, complexity and uncertainty of the permitting process are the primary reasons investors give for not investing is U.S. minerals mining. In the U.S., necessary government authorizations now take approximately seven to 10 years to secure, placing the U.S. at a competitive disadvantage and forcing our economy to become increasingly reliant on foreign producers for minerals we can produce domestically. Our dependence on foreign minerals has doubled in the past 20 years.

Despite the nation's rich mineral endowment, our flawed permitting system significantly impedes the ability to attract investment to our shores. In 1993, the U.S. attracted 20 percent of worldwide exploration investment dollars. Today, our share has eroded to just 8 percent. The percentage of global exploration spending the U.S. attracts is critically important since exploration spending is a leading indicator of where future development capital will be deployed.

## The Permitting Scheme Harms U.S. Manufacturing

More than the future of domestic mining is at risk from our cumbersome and inefficient permitting scheme. Today, less than half of the mineral needs of U.S. manufacturing are met from domestically mined minerals, a trend that has been building for nearly 30 years and will only worsen unless we reform the permitting process responsible for it. Our broken permitting process also slows creation of high-wage jobs supported by mineral mining.

As the recent Rand Corporation study, *Critical Materials: Present Danger to U.S. Manufacturing,* warns:

[1] *See* National Resources Council*, Hardrock Mining on Federal Lands,* National Academy Press (1999); U.S. Department of Energy, *Critical Materials Strategy* (Dec. 2010); U.S. Geological Survey USGS, *the Principal Rare Earth Elements Deposits of the United States—A Summary of Domestic Deposits and a Global Perspective*, 2010; Behre Dolbear, *Where Not to Invest* (2012.

> While the United States has extensive mineral resources and is a leading materials producer, a high percentage of many materials critical to U.S. manufacturing are imported, sometimes from a country that has the dominant share of a material's global production and export. In this situation, U.S. manufacturers are vulnerable to export restrictions that limit their access to these materials and that can result in two-tier pricing, under which domestic manufacturers in the producing country have access to materials at lower prices than those charged for exports, thereby hindering the international competitiveness of U.S. manufacturers and creating pressure to move manufacturing away from the U.S. and into the producing country. (p. ix)

The Rand Study also notes a potential ripple effect on U.S. innovation:

> The U.S. science and technology base that support manufactured products was built on and depends upon the presence of U.S. manufacturers producing these products from raw and semi-finished materials. Prolonged disruption in the supply of raw and semi-finished materials required by these manufacturers could put the science and technology base in jeopardy, which would further reduce U.S. innovation capability and competiveness in the development of new, higher-performance products. (p.1)

To ease mineral supply constraints on U.S. manufacturers, the study indicates the most effective action that can be taken would be to encourage diversified production, i.e., the operation of mines in several different countries. This diversification should include the U.S. and would be accomplished by encouraging domestic production of the resources needed for the manufacturing supply chain through modernization of our permitting structure.

## The Solution Is a Modern Permitting Process

Similar to the bill passed overwhelmingly by the U.S. House of Representatives in the 112th Congress, H.R. 761 carefully addresses the deficiencies of our outdated and underperforming permitting system.

Without changing environmental and other protections afforded by current laws and regulations, it provides for efficient, timely and thorough permit reviews and incorporates best practices for coordination between state and federal agencies.

As an example, Canada is a global mining leader that continues to take advantage of its efficient permitting system, large pool of junior explorers and exploration-focused tax incentives to attract 16 percent of all global exploration dollars in 2012. Canada maintains an expedient, approximately two-year, permitting timeline by implementing a flexible system that seeks to minimize duplication, uncertainty and delays. Canada recognizes mining is a key economic driver. A recent Conference Board of Canada report, *The Future of Mining in Canada's North,* anticipates the country's overall metal and non-metallic mineral production will grow by 91 percent from 2011 to 2020. Canada recognizes long-term global demand for commodities is increasing and is positioning itself to take advantage of this opportunity and provide minerals for both domestic and global use.

Further, many of the approaches contained in H.R. 761 are comparable to those recently praised by the Government Accountability Office as significantly improving the permitting process for wind and solar renewable energy projects on federal lands. The GAO report, *Renewable Energy: Agencies Have Taken Steps Aimed at Improving the Permitting Process for Development on Federal Lands,* found that wind and solar permitting times at the Bureau of Land Management were reduced from four years for applications filed in 2006 to 1.5 years for applications filed in 2009. Ironically, the same agency that permits these alternative energy projects cannot streamline the permitting process for mining projects that supply minerals essential for building renewable energy infrastructure and technology.

## Conclusion

Using our country's minerals responsibly and efficiently must be a bi-partisan priority for strengthening our manufacturing base and the jobs it provides. NMA urges Congress to pass H.R. 761 to provide a more predictable regulatory environment, one that will attract additional investments and allow U.S. mining to build on our positive contribution to the U.S. economy and host communities. The legislation will bring the U.S. in line with our competitors for minerals exploration and development

investments—countries such as Australia and Canada that have already modernized their permitting regime. The permitting efficiencies set forth in H.R. 761 will allow the U.S. to unlock its full potential. Thank you for the opportunity to testify today.