Geopolitics trump geology in Fairbanks

With state’s potential well-established, 2012 Alaska Strategic and Critical Minerals Summit speakers focus on foreign reliance

BY SHANE LASLEY
Mining News

FAIRBANKS — In contrast to the geology, geochemistry and geophysics that dominate discussions at most mining conventions, geopolitics grabbed the limelight at the 2012 Alaska Strategic and Critical Minerals Summit held in Fairbanks Nov. 5-6.

“Countries that control a given element have a way to leverage businesses to come to those countries. They have a way of demanding there are technology transfers,” American Elements President Michael Silver informed the more than 200 delegates who gathered in Fairbanks.

Silver, whose company has been a seller of Chinese rare earth elements for more than two decades, said China’s monopoly on this group of strategic elements is one such example.

“What China was doing, and something the world has to recognize, is they were creating a price differential where if you moved your business to China, the cost of rare earths were a third of what it would be if you had to export,” he explained.

By levying steep export taxes, constraining overseas shipments and tagging additional upward pressure on the prices of rare earths leaving the country, China has created a two-tier pricing system in which it behooves manufacturers needing these technology metals to move their factories to the Middle Kingdom.

Or, as American Resources Policy Network President Dan McGroarty puts it, “Rare earths are so magnetic that they will stick your whole factory into China.”

While China’s monopoly on REE is a prime example of the potential risks of over-reliance on other countries to supply elements critical to national security, green technology and economic growth, several speakers at the summit warned that these are not the only minerals that the United States should be concerned about.

“Rare earths garner many of the headlines, but we need to look at the bigger picture,” Sen. Lisa Murkowski, R-Alaska, advised the crowd. “We are 100-percent-dependent on foreign sources of 18 other minerals and more than 50-percent-dependent on foreign sources for some 25 others.”

If you break down the rare earths into the 15 individual lanthanide elements, the U.S. Geological Survey list that Murkowski referenced would total 32 individual minerals in which the United States is 100-percent reliant on foreign sources — China is the primary or sole supplier of more than 20 of these minerals.

“We have seen that the world does not operate on pure economics, there is a geopolitical element to it, and you have to be careful that other countries don’t gain the system in order to disadvantage us,” McGroarty cautioned.

Silver, McGroarty and Murkowski agree that, with a favorable regulatory environment, Alaska’s rich stores could ease the United States’ reliance on foreign countries to supply its strategic and critical mineral needs.

“Our state has incredible potential in this area,” Murkowski told the audience.

Geological time
The concern that an over-reliance on foreign and undiversified sources of strategic and critical minerals put the United States at a disadvantage is not new in Washington D.C.

In a report penned in 1981, the U.S. Congressional Budget Office presumed, “An interruption or curtailment of U.S. supplies of one or more critical materials arising from political or economic events is far more likely than a national defense emergency. The causes of such disruptions could be acts of foreign governments intended to disrupt U.S. supplies for political purposes or to raise prices, localized political or military actions that incidentally disrupt supplies, or abrupt demand surges in excess of existing supplies.”

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Critical mineral storehouse

The United States' decades-long, resource-rich landlocked geography means it has to import most of its primary and strategic minerals, which the nation is able to break the dependency on foreign countries for many of these essential materials. The United States may need critical mineral supply chains for more than a decade only critical or strategic mineral currently being produced in the nation can break its dependency on foreign countries for many of these essential materials.

NORTH OF 60 MINING

More than 200 delegates gathered in Fairbanks, Alaska, Nov. 30 to attend the 2012 Alaska Strategic and Critical Metals Summit, sponsored by the Pebble Mine joint venture, the American Chamber of Commerce, and the Alaska Mining Association. The events aimed to raise awareness of the issues of mining, development, and economic growth in Alaska.

According to a 2012 study by the Beher-Dobrow Group, the United States, at seven

to 10 years, is tied for last place with Papua New Guinea when it comes to the length of time it takes to get a proposed mining project through the permitting process. The United States is tied with Papua New Guinea for last place in the world in the time it takes to make a ‘yes’ or ‘no’ decision on permit applications. It has permitted an unreasonably long time for nearly every project in the country and the consequences are really serious. Markowicz reminded the summit attendees.

Alaska's senior senator said the effect of the increasingly cumbersome permitting process is reflected in the drop in the United States' share of exploration spending over the past two decades. In 1995, the U.S. attracted 25 percent of all investment in mineral exploration, today, that has eroded to just eight percent. And, in a large part, this is the result of a well-earned reputation for taking far too long to permit new or expanded mines here in the United States,” Alaska's senior senator added.

Markowicz was one of several speakers to address the United States' red lantern mine permitting performance, prompting McGrory to snap, “I think there should be a rule that every speaker has to mention Papua New Guinea.”

The ARPN president agreed the lengthy permitting process hampers investments from financiers who are seeking a timely return on investment.

"They are looking for entry and exit in industrial projects, and they are looking at a timeframe of three to five years. If you are taking seven to 10 years to permit a mine, you are completely outside the sphere of an industry they ever want to evaluate,” he explained.

Hirokazu Katayama, an assistant general manager at Japan Oil, Gas and Metal CO., Ltd., B.C. office added McGrory's assertion.

With an annual budget of 1.6 trillion yen (US$16.7 billion), JGCMEC scouring the globe for a stable supply of natural resources for Japanese industry.

During its presentation at the strategic and critical minerals summit, Katayama said, "The lengthy and unpredictable permitting process is a big issue, because the unpredictable process may lose market opportunity."

Katayama told the summit delegates that the U.S. Environmental Protection Agency's Bristol Bay Watershed Assessment, a study that could result in the federal regulatory agency banning the development of the enormous Pebble copper-gold-molybdenum project before developers have an opportunity for an applied permit, is an even bigger issue for JGCMEC and other organizations seeking to invest in Alaska's mineral potential.

"Everybody knows that EPA pre-empt action towards the Pebble project is the largest concern, because this kind of action in pre-application incurs depression of mining investment," he said.

Strategic view

Despite the setbacks on the federal level, Katayama and several of the other speakers said Alaska has a lot of attractive qualities.

"Of course, Alaska has significant mineral potential," confirmed the JGCMEC manager.

In addition to copper, gold, zinc and molybdenum, Katayama said Alaska is highly prospective for several minerals critical to Japanese industry, including platinum group metals, rare earths, antimony and tungsten.

JGCMEC played a key role in the early exploration of the Pogo gold project in Interior Alaska and is currently providing financial support to Tokyo-based Rokua Corp., in that company's joint venture with Pure Nickel Inc. to explore the MAX platinum group metal project some 90 miles (145 kilometers) south of the gold mine owned and operated by Sumitomo Metal Mining.

Though Alaska is highly regarded for its mineral potential, Markowicz said the state should not rest on its laurels.

"We need to stay focused on finding the best deposits here in Alaska – the highest grade on-bodies – and bringing every other resource we have to bear on winning the competition for investment," the senator encouraged.

Under the leadership of Gov. Sean Parnell, the state government has been contributing to this effort. In addition to conceiving and organizing the Alaska Strategic and Critical Minerals Summit, the state has been active in evaluating Alaska's strategic and critical minerals potential.

"Alaska has the largest state-run survey program for critical minerals in the country and I am very pleased to see the Legislature is devoting funding to continue this work," Markowicz noted.

During the fiscal year 2012 and 2013 budget cycles, the Legislature approved US$3.2 million to identify and evaluate strategic and critical minerals prospects in Alaska. In his fiscal year 2014 budget, Alaska Gov. Sean Parnell is asking the Legislature to approve an additional US$2.7 million to continue this initiative.

"That is already underway but Alaska is rich in rare earth elements, something our country needs for national security as well as for our consumer electronics," Parnell explained during a Dec. 14 rollout of his budget.

The governor has proposed a further US$18 million toward funding Roads to Resources, an initiative to connect some of Alaska's promising resource areas to the state's road system, US$15 million toward a new building for the state's geological materials center which is a repository of core and samples collected from across the state; and US$3.7 million toward streamlining permitting and statewide digital mapping.

In a 10-year plan released in conjunction with Parnell's budget, the Office of Management and Budget wrote: "Alaska has an important role to play in securing a domestic supply of strategic minerals. These minerals are essential for use had subject to potential supply disruptions due to China's domination in the world market.

"The state's proactive role in the realm of strategic and critical minerals is being recognized by outside observers.

"This state has committed to taking a strategic view of critical metals and that is really quite different than any other single state," said McGrory.

Katayama said that, despite several concerns, "Alaska is a very mining friendly jurisdiction."

Markowicz's parting words reflected the reservations and opportunities presented at the 2012 Alaska Strategic and Critical Minerals Summit.

"Going forward, I am confident that we will navigate the challenges we face, just as we have in the past, truthfully, we don't really have any other choice, the job you create are real, the minerals you produce are essential and the contributions you make to the state's future are vital," the senator concluded.

McGrory left the attendees of the summit with a similar but more ominous message:

"The issues here are critical to national security, they are critical to our economy, they are critical to manufacturing, they are critical for the innovation in high technology to be executed in the United States, and, at the end of the day, they are matters of war and peace," the ARPN president cautioned.