Testimony of
Red Conger
President of Freeport-McMoRan Americas
on Behalf of National Mining Association
before the
United States Senate
Committee on Energy and Natural Resources

Legislative Hearing on S. 883, the American Mineral Security Act of 2015

May 12, 2015

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Good morning. My name is Red Conger and I am president of Freeport McMoRan Americas. I am testifying today on behalf 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 the mining industry.

Today I am testifying in support of on S. 883, the American Mineral Security Act of 2015. I want to thank Senator Murkowski for her leadership in introducing legislation, to address a key obstacle for the country's economic growth and global competitiveness – a slow and inefficient permitting process for the mines that produce the minerals essential for our basic industries, technology, national defense and the products made here in America.

The copper and molybdenum Freeport-McMoRan's U.S. employees, including 8.500 workers in Arizona, 1,600 in New Mexico and 950 in Colorado, produce allows Americans to drive safer cars on better roads and bridges, use laptops and smart phones and generally enjoy a high quality of life.

Continued Growth in Demand for Metals and Minerals

Global population growth, rapid industrialization and urbanization in the developing world and a rising global middle class are all driving demand for metals minerals and raw materials. Global population is projected to increase to 10.9 billion by 2100, an increase of more than 50% from 2013.[1] Most of this growth will occur in the developing world where per capita consumption rates of energy and mineral commodities are just a fraction of the developed countries.

Demand for minerals is also increasing as new frontier technologies require a wider range of minerals and materials. For example, a modern computer chip contains more

[1] United Nations *World Population Prospects: The 2012 Revision, Volume I: Comprehensive Tables*" (UN Department of Economic and Social Affairs, Population Division 2013).

than half of the elements in the periodic table and even though they may be present in very small amounts, each is essential to function and performance.[2]

All of these trends point to sustained growth in global demand and increased competition for mineral resources. As resource competition grows fiercer, stable and reliable mineral supply chains will become more critical to sustain economic growth and balance of trade in the developed and emerging economies.

Mining's Contribution to Sustainable Economic Growth

U.S. mining's contribution to our economy and society is significant. The value added by major industries that consume the $78 billion of minerals produced in the U.S. is an estimated $2.5 trillion (2014), or 14 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 generates $46 billion in tax payments to federal, state and local governments.

Countries around the world have increasingly recognized the connection between minerals and economic growth and have developed strategies to ensure access to the minerals that form the building blocks of their economies and help them compete globally. The European Union's (EU) "Raw Materials Initiative," is designed to ensure a sustainable supply of raw materials to increase European industrial competitiveness. As part of that initiative, the EU maintains and routinely updates a list of critical raw materials, which includes various minerals and metals, while duly emphasizing that even those minerals not "classified" as critical must not be neglected.[3] A balanced policy incentivizes and removes obstacles to new mining activities to support the availability of the metals and minerals for the European economy.

As the world's largest consumer of many mineral commodities, including copper, zinc and iron ore, China is giving special attention to its "resource security" by making global investments to ensure access to supply. China's "go global" strategy includes investment of $390 billion in outbound direct investments in the mining sector.[4]

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[2] T. E. Graedel, E. M. Harper, N. T. Nassar, and Barbara K. Reck; *On the Materials Basis of Modern Society,* School of Forestry and Environmental Studies, Center for Industrial Ecology, Yale University, October 2013.

[3] 2014 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *On the review of the list of critical raw materials for the EU and the implementation of the Raw Materials Initiative* (available at http://ec.europa.eu/enterprise/policies/raw-materials/files/docs/crm-communication_en.pdf).

[4] Congressional Research Service, *China's Mineral Industry and U.S. Access to Strategic and Critical Minerals: Issues for Congress,* March 20, 2015 (available at http://fas.org/sgp/crs/row/R43864.pdf).

U.S. Policy Fails to Capitalize on Abundant Domestic Mineral Resources

The U.S. is blessed with a world class mineral resource base with an estimated value of $6.2 trillion. The U.S. remains highly prospective, from a geological point of view, with an abundant and diverse mineral potential. According to the U.S. Geological Survey, when it comes to copper, silver, zinc and other key mineral commodities, what is left to be discovered in the U.S., is almost as much as what has already been found.[5] Frankly, I am even more optimistic than the USGS. My experience over my 38 year career suggests we will exceed the USGS prediction. Moreover, with continuing and never ending advances in science and technology, miners in the U.S. exemplify best practices with respect to productivity, sustainability and safety.[6]

Since the Mining and Minerals Policy Act of 1970, the U.S. has struggled with establishing effective policies to "foster and encourage private enterprise in the development of economically sound and stable domestic mining, minerals, metal and mineral reclamation industries." Most of the laws do little more than provide aspirational policy statements without furnishing specific measures to support and sustain a healthy domestic mining industry needed for our nation to meet the realities of the 21st Century.

The lack of enabling domestic policies carries consequences for the competitiveness of downstream industries that depend upon reliable supply chains. Our nation's import dependence for key mineral commodities has doubled over the past two decades. Today we are import dependent for 19 key mineral resources and more than 50 percent import dependent for an additional 24 mineral commodities. Less than half of the mineral needs of U.S. manufacturing are met from domestically mined resources. Our growing dependence on imports leaves many key domestic industries unnecessarily vulnerable to disruptions from extended, complex and fragile supply chains.

These alarming trends reveal a growing and unnecessary structural mismatch between domestic mineral supply and demand. The U.S. position as the world's premier manufacturing nation could suffer if the U.S. mining industry is not allowed to perform to its full potential and supply more of the minerals needed to sustain growing manufacturing demand. As the Rand Corporation has warned, this mismatch hinders international competiveness of U.S. manufacturing and creates pressures to move manufacturing away from the U.S. and into other countries where they can more easily access the minerals they need.[7]

We also see a mismatch, or gap, in policies intended to strengthen the global competitiveness of our nation's industrial base. There are many executive orders and legislative policies directed at providing a more efficient and accountable regulatory

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[5] USGS, *Geology and Nonfuel Mineral Deposits of the United States*, Open File Rep. 2005-1294A, p. 64 (2005).
[6] SNL Metals & Mining, *U.S. Mines to Market,* p. 4 (2014).
[7] Silberglitt, Bartis, Chow, et. al., *Critical Materials: Present Danger to U.S. Manufacturing*. Santa Monica, CA: RAND Corporation, 2013. (Available at http://www.rand.org/pubs/research_reports/RR133).

framework for manufacturing, infrastructure and energy. However, they often omit the mining sector which supplies the resources necessary for these industries to succeed. S. 883 is a good step in filling the policy gap by addressing several obstacles to U.S. mining meeting more of the domestic demand for metals and minerals.

Permitting Delays Pose a Major Obstacle to U.S. Mining

An outdated, inefficient permitting system presents a major barrier to the domestic mining sector's ability to perform to its full potential. The U.S. has one of the longest permitting processes in the world for mining projects. In the U.S., necessary government authorizations now take approximately seven to 10 years to secure, placing the U.S. at a competitive disadvantage in attracting investment for mineral development.

This is not a new problem, but it is getting worse. It has been well-documented by as the most significant risk to mining projects by the National Academy of Sciences, the Departments of Energy and Department of Defense.[8] Moreover, a recent NMA survey of C-suite manufacturing executives found 95 percent of executives surveyed are worried that the lag in the permitting process for new mines has a serious impact on their competitiveness.

Shortly, NMA will release a study assessing the costs associated with permitting delays. On average a mine would lose a third of its value as it waits for the numerous permits needed to begin production, and the longer the wait the greater the chance the mine will no longer be worth the *investment.* In short, lengthy delays in permit reviews compromise the commercial viability of mining projects by increasing costs, reducing the net present value of investments and impairing financing. The efficiency and predictability of the permitting process matters in decisions about where to invest.

The current permitting process is plagued by uncertainties and delays arising from duplication among federal and state agencies, the absence of firm timelines for completing environmental assessments and failures in coordination of responsibilities between various agencies. To be clear, valid concerns about environmental protection should be fully considered and addressed. At the same time, they should not serve as an excuse to trap mining projects in a limbo of duplicative, unpredictable and endless review without a decision point. No one should confuse the length of the process with the rigor of review.

Looking to our northern neighbor of Canada, we find a nation that shares our core principles of responsible resource development and adept at implementing an efficient permitting system that strives for completing permitting within a two-year period. Several of the best practices in place include:

- Deadlines early in the process for determining the type and scope environmental assessments;

[8] National Resources Council, *Hardrock Mining on Federal Lands*, p. 54 (1999); US. Dept. of Energy, *Critical Materials Strategy*, p. 104-05 (2010).

- Specific timelines for completing those environmental assessments;
- Legally binding deadlines for key regulatory permits;
- Enhanced coordination and consolidation of responsibilities for provincial and federal agencies reviewing projects; and
- Allowing provincial environmental assessments to substitute for federal assessments in order to eliminate duplication.

These are best practices we should strive to introduce more widely into our permitting system. We are in global competition for mining investment, and Canada realizes that an efficient permitting system can provide a competitive advantage. S. 883 is a step forward in bringing the US in line with its global peers who are preparing to meet the 21st century challenges of mineral supply chain reliability and security.

Conclusion

Much of our domestic mineral resources remain locked beneath our feet by an outdated and inefficient mining permitting system plagued by unnecessary delays and redundancies at the local, state and federal levels. To unlock this vast potential for the benefit of downstream industries, NMA urges Congress to work together on enabling policies that ensure timely and responsible access to U.S. mineral and metal resources. If we do not, and become increasingly marginalized as a supplier of these essential resources, the consequences are severe for our nation's global competitiveness.

Thank you for the opportunity to testify today.