



*Our membership and services span the globe*

10 N Post St Ste 305 | Spokane WA 99201-0705

Phone: 509.624.1158 | Fax: 509.623.1241

E-mail: [nwma\\_info@nwma.org](mailto:nwma_info@nwma.org) | Web: [www.nwma.org](http://www.nwma.org)

April 12, 2010

Dr. Steven Chu  
Secretary of Energy  
U.S. Department of Energy  
1000 Independence Avenue, SW  
Washington, DC 20585

Re: Molycorp Minerals, LLC Application for Title XVII Loan Guarantee

Dear Secretary Chu:

The Northwest Mining Association (NWMA) is writing to urge you to support the rapid re-establishment of a domestic rare earth metal and magnet production supply chain from the mine to processing to manufacturing in the U.S. Secure domestic supplies of rare earth minerals, the ability to process those minerals and manufacture rare earth magnets are critical to our nation's energy future. The Department of Energy (Department) can greatly accelerate this effort, and establish the Obama Administration's pro-active leadership in this arena, by providing a loan guarantee under the Title XVII Loan Guarantee Program to Molycorp Minerals, LLC, the nation's only rare earth production company. We urge the Department to swiftly approve Molycorp's pending application for a loan guarantee for its Rare Earth Magnet Supply Chain project.

NWMA is a 115 year old, 2,094 member, non-profit, non-partisan trade association based in Spokane, Washington. NWMA members reside in 40 states and are actively involved in prospecting, exploring, mining, and reclamation closure activities on public and private lands, especially in the West. NWMA's broad membership represents a true cross-section of the American mining community from small miners and exploration geologists to both junior and large mining companies. More than 90% of our members are small businesses or work for small businesses. Most of our members are individual citizens. Molycorp Minerals is a corporate member of NWMA.

Rare earth elements are an essential component in a wide array of emerging technologies. Many clean energy technologies supported by the Department, as well as critical communications, transportation, defense and environmental mitigation technologies, require rare earth metals and magnets to work. However, the U.S. is now dangerously dependent upon one nation – China – for an estimated 97 percent of the rare earths we need. As China continues to signal its intent to reduce its rare earth exports and direct them toward its own aggressive development of a rare earth metals and magnets supply chain to meet their own domestic needs, including plans to become the world's largest generator of wind energy, the U.S. faces a potential shortage of these critical resources in as little as three years. Virtually all experts who follow global rare earth supply trends agree that this is a serious threat, with profound implications for America's economic, energy and national security.

Mr. Secretary, it is important to understand that China is requiring companies operating in the rare earth metals and magnets supply chain downstream from the mine—those that process rare earth metals and manufacture rare earth magnets—to move those operations and jobs to China in order to obtain the rare earths they need. The U.S. must be able to compete to attract and retain manufacturing firms that need access to rare earth elements. Given China’s near monopoly of the rare earth supply, and their willingness to restrict exports and force manufacturers to locate in China, the only way for the U.S. to ensure steady access to these critical minerals for processing and manufacturing rare earth metals and magnets is to mine them here at home. Without a domestic supply of rare earths, the supply chain necessary to produce the rare earth magnets necessary for renewable energy technologies and other strategically critical uses is broken at the source and the U.S. will not be able to meet the demand for rare earth metals and magnets.

Molycorp Minerals Rare Earth Magnet Supply Chain project will ensure that the supply chain is not broken and that the U.S. will have the ability to meet the domestic demand for rare earth metals and magnets. The wind energy industry is particularly dependent on a steady source of affordable rare earth magnets, which form the heart of the next-generation wind turbines. In fact, a single 3MW wind turbine needs 2 tons of rare earth elements. The Department and the American Wind Energy Association underscored the importance of rare earths to wind energy in your joint “20 by 2030” Report.

Re-establishing a U.S. rare earth magnet supply chain from the mine to the magnets also will significantly boost the ability of the U.S. to expand our domestic wind turbine manufacturing base, which could lessen our dependence upon foreign manufacturers of wind turbine systems and create thousands of manufacturing jobs here at home in a variety of industries.

This particular project also will lead to the eventual creation of up to 1,000 direct jobs, in addition to an average of 700 on-site construction jobs while the facility is expanded. U.S. Senate Majority Leader Harry Reid, Senator Dianne Feinstein, California Governor Arnold Schwarzenegger and many others have lent their formal support to Molycorp’s loan guarantee application.

Molycorp Minerals is working around-the-clock to re-establish a strategically vital U.S. Rare Earth Magnet Supply Chain. Their project involves development and deployment of many new and significantly improved technologies that will set U.S. rare earth material and magnet production apart from that of other nations with regard to environmental performance. Molycorp’s breakthrough technologies greatly improve the environmental performance, carbon footprint and system efficiency of the rare earth magnet supply chain.

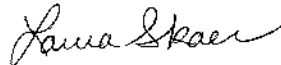
In fact, Molycorp’s project provides a high-profile example of how the application of cutting-edge environmental mitigation technologies can *decrease*, rather than increase, production costs and make the U.S. cost-competitive, even with China.

In the current financial climate, the very short repayment periods and near double-digit interest rates of traditional bank financing are not economically feasible for a project of this magnitude.

DOE's loan guarantee is vital to helping Molycorp substantially accelerate this project and provide our nation with the critical rare earth minerals we need.

Molycorp's application under the Title XVII program falls clearly within the program's eligibility requirements. The Department's initial rejection of Molycorp's application almost certainly overlooked the broader strategic importance of this project to the Department's and the Administration's national clean energy and supply chain security objectives. We urge you to reconsider this application and grant this loan guarantee as soon as possible.

Sincerely,



Laura Skaer  
Executive Director

cc: Daniel B. Poneman, Deputy Secretary, DOE  
Dr. Kristina M. Johnson, Under Secretary for Energy, DOE  
Dr. Steven E. Koonin, Under Secretary for Science, DOE  
James R. O'Connor, Chief of Staff, DOE  
Thad T. Konopnicki, Associate Administrator, Infrastructure and Environment, DOE  
Cathy Zoi, Assistant Secretary for Energy Efficiency and Renewable Energy, DOE  
David Sandalow, Assistant Secretary, Office of Policy & International Affairs, DOE  
Matt Rogers, Senior Advisor, Office of the Chief of Staff, DOE  
Jonathan Silver, Executive Director, Loan Guarantee Program Office, DOE  
Pat Davis, Program Manager, Office of Vehicle Technology Program, DOE  
U.S. Senate Majority Leader Harry Reid (D-NV)