Awakening America to the Value of its Natural Resource Industries

Hal Quinn
President and Chief Executive Officer
National Mining Association

Alaska Industry Support Alliance
Anchorage, Alaska

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Good morning. It is wonderful to be here in “The Great Land.” I appreciate the opportunity to discuss with you a topic that, I believe is, or should be, of paramount interest to all of you, and to everyone concerned about positioning Alaska and our entire nation to secure the full benefits of our natural resource industries.

With the beginning of a new year, forecasts are always a popular topic of conversation. Personally, I find them a target-rich environment. Whether the subject is the economy, energy or politics, there always seems to be—in the words of former Secretary of Defense Donald Rumsfeld—“the unknown unknowns”—that confound the experts.

Recent history should remind us to remain humble when making big bets on future outcomes. The Federal Reserve did not see the collapse of the housing market. Nor, apparently, did Wall Street anticipate the financial industry’s meltdown. Experts may not see tomorrow’s economic picture any more clearly.

It wasn’t too long ago the conventional view was that America would continue on a spiral of increasing dependence on imports of oil and natural gas. We enacted policies to support the development and deployment of alternative sources. Investors poured money into building facilities to import LNG. Today—without any government assistance—we are awash in natural gas and those LNG import facilities will be redirected to exports. The prolific rise in domestic oil production has also put us on the cusp of reconsidering the once-untouchable crude export ban.

Coal, recently dubbed by the IEA as the "forgotten fuel", has been the fastest growing energy source globally over the past decade and seems destined to soon overtake oil as the world's primary energy source. On its way, coal has lifted, and will continue to lift, hundreds of millions of people from poverty around the world—a most inconvenient truth for coal deniers.

My point here is not to dismiss forecasts as lacking value. Rather, I merely suggest we acknowledge how the" unknown unknowns" challenge the best experts; and often how the "known" may be underweighted or overlooked at our peril.

All of this is to say that Americans, and in particular our policymakers, need to become fully aware of the global mega forces at work. Forces that directionally point to why demand for natural resources—energy, metals and other commodities—will grow at an unprecedented pace and scale. These mega forces present our nation with opportunities and challenges. With a fuller understanding, we can hope that both the elected and unelected in Washington awaken to the need for enabling policies that allow our natural resource industries to perform to their potential at a time when the need has never been greater.

Consider---

- Developing countries constitute more than three quarters of the global economic growth.
- By 2050, they should account for almost 80 percent of the global GDP.
- The China story is Exhibit A—in the space of 25 years, China's GDP grew by a factor of 10—it took Great Britain the better part of the 19^{th} Century to grow by a factor of 4.
- But a focus on China obscures the story unfolding in other developing countries that have growth and urbanization rates that are equally impressive.
- In India for example, the labor force is estimated to grow by 1 million people a month—for the next 20 years!
- And despite all of this growth over the past decade, the developing economies per capita commodity and energy intensities are still just a fraction of the developed world.

The executive summary would go like this: The Industrial Revolution was a story of perhaps a hundred million people; today's story is about billions of people.

With a rising middle class and more people trading in their bicycles for BMWs, it is clear that resource competition will be fierce. So it should be no surprise that a recent PWC survey found that 70 percent of CEOs in basic and high tech industries identify minerals and metals scarcity as a major threat to their companies' success.

Such concerns are hardly insignificant for our global competitiveness—whether it be energy, manufacturing, technology or our national defense. Excluding coal, oil and gas, our domestic mining industry supplies the essential elements for almost every sector of our economy and translates into about 15 percent of value add to our GDP.

Allow me to get a bit more granular with you. If we travel to one of your drilling sites and we looked at your inventory of pipe, tubes, valves and drilling muds, what metals and minerals would be essential for your success----barite, bentonite, copper, cobalt, iron, nickel, molybdenum, vanadium and zinc, just to name a few.

If we visit Detroit and the plants that manufacture the vehicles fueled by the oil produced here in Alaska, we would find modern auto plants that are virtual metals mines. From beneath the frame to under the hood, there are at least 20 indispensable metals and minerals. Add to the list recited above: borates, gold, silver, lithium, beryllium, platinum/palladium, lead and rare earths. And the list keeps growing as vehicles become increasingly complex.

If we hop over to the Silicon Valley, the story is no different. The "Smarter Planet" IBM and other innovators are creating will indeed make our society more productive. But a smarter planet requires enormous amounts of natural resources to build, power and maintain. Let's consider that in 1980 computer chips required about 12 key minerals; today it is more than 60. And a smarter planet isn't just about the 2.5 billion people connected today; it is also about the 1 trillion connected objects---power plants, pipelines, distribution centers—not to mention that sometime this year there will be more mobile devices in use than the entire global population.

The need is known and sufficiently defined. What about our own potential to meet it? Should those CEOs with U.S.-based businesses lose sleep over their supply chains? The simple answer is yes—for at least two reasons.

- Suitable substitutes for those metals and minerals are few and often inferior; and
- Despite an immense domestic resource base, disabling policies restrain us from performing to our full potential

Yes, the U.S. mineral endowment is immense with an estimated value of $6.2 trillion. And that is just what we know about—the USGS tells us that when it comes to some of the most important minerals, what is left to be discovered in the U.S. is almost as much as what has been discovered.

We also enjoy other inherent advantages:

- A global-leading work force in terms of skill, productivity and safety;
- A mine-to-market infrastructure that is the envy of the world;
- Energy resources to power it; and
- Capital markets with depth to allow easier capital access to find and develop our resources.

Our resource and business platforms are strong. Yet, when we look at our actual performance, we are clearly punching below our weight. Our import dependence on key commodities continues to grow—and has doubled over the past 20 years. Today, domestic minerals supply less than half of the needs of U.S. manufacturing. Our pipeline of new projects dwindles as we continue to lose share of worldwide exploration spending—now only half the level invested twenty years ago in the U.S.

On the other hand, our public policy platforms are weak and disabling. Our access to mineral lands—especially our public lands—is highly limited. On federal lands, half are either off-limits or highly restricted for mining. And our government continues to place more lands off-limits with little consideration of the consequences to our minerals security or the continued need for perpetuating earlier withdrawals.

And when it comes to private or public mineral lands open to mining, the regulatory risk often trumps our inherent advantages. While we are blessed with a world class mineral resources, we are cursed with a thirdworld permitting system—one that stretches 7-10 years to navigate. For many years running, the U.S. has earned the distinction as the home to the most protracted, unpredictable and inefficient permitting systems globally.

Project delays are more than an inconvenience—and the real costs extend beyond the substantial investments in data gathering and analysis to support permit applications. Permitting delays take a deeper toll in the form of diminished project value, increased financing costs and higher commercial risks. Capital is mobile, and one need not be prescient to predict which direction it will flow when presented the choice between jurisdictions with a gap of eight to ten years before any return can be expected.

Surely we can do better. Other major mining countries not only do better, they continue to improve. Take Canada and Australia for example—two nations that fully understand how an efficient and stable regulatory regime can provide a competitive advantage in the global race for mining investment. Already ranked highly as attractive venues for investment, they strive to stay out front. Canada recently enacted reforms called "one-project one-review." The Australian Productivity Commission last month released a set of reforms with a roadmap to reduce the complexity and improve the efficiency of its environmental assessment and approval process.

Many of the leading practices being put in place in those jurisdictions are ones the National Mining Association has been advocating for years:

- Consolidate and coordinate agency responsibilities for reviews
- Establish binding beginning and end timelines for key decision points
- Recognize state environmental assessments as a substitute or equivalent for federal assessments to eliminate duplication

These are the core principles of what we call a 21st Century permitting system to prepare for the 21st Century realities of mineral supply chain reliability and security.

The good news is that we have actually made some headway. In the past two Congresses we have secured passage in the House of Representatives of the "National Strategic and Critical Minerals Production Act" which embodies these best permitting practices. But we are only half way home. The Senate needs to act. Senator Lisa Murkowski has introduced legislation designed to better position our nation to meet its mineral needs. The hope is that both legislative bodies can come together to enact meaningful permitting improvements that will allow us to realize our full resource potential.

Some call these best practices shortcuts to evade environmental protections. They are not. Let me be clear: valid environmental concerns should be fully considered and addressed. At the same time, they should not serve as an excuse to trap 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 or review. Better coordination and more efficient review can only produce better outcomes.

Fixing our broken federal permitting system would be a good start for improving our competitiveness and boosting investor confidence. But even with permits in hand, how much security do they provide anymore? Over the past several years we have witnessed some stunning declarations of federal agency power. With the Environmental Protection Agency asserting it has the power to revoke another federal agency's permit several years after the fact —as it did for a coal mine in West Virginia—we have entered unchartered waters of regulatory risk. Here in Alaska, it appears that EPA may be toying with the idea that it also has the power to spike a project even before a permit application has been submitted. These and other breathtaking examples of federal overreach cry-out for intervention—including brightening the lines Congress has drawn but EPA too often fails to respect.

Although the narrative I have put before you today focuses upon mining, I know that all of our natural resource industries share similar experiences and concerns about the obstacles placed in the way of performing to their potential. We are all high-tech and knowledge-based industries that are economic engines creating and supporting high-wage jobs, families and strong communities.

We will never be able to anticipate all of the "unknown unknowns" that create new opportunities and present challenges for our country. But the "known" is clear in terms of the need for our industries and the obstacles that lie before us—obstacles that have been hiding in plain sight for too long.

It's time America re-discovered what Alaska knows and it leadership shows—the value of our industries. With a willing partner in our federal government--one that works with us rather than against us, and one that embraces enabling rather than disabling policies—our industries will deliver what this country needs to meet the 21st Century realities.

I want to thank you for all that you have done to build our great nation, and for all you will do to ensure a bright future for America. I wish you all a prosperous and safe New Year.