

Punitive Hardrock Mining Fees Obstruct Economic Recovery, Job Creation, Infrastructure

INSTEAD OF RAISING REVENUE, EXCESSIVE FEES ON MINING WILL DRIVE MORE PROJECTS ABROAD AND INCREASE IMPORT DEPENDENCE

Whether it's infrastructure, reshoring industry and critical supply chains, creating high-paying jobs, or supporting the pivot to electric vehicles and electrification, U.S. mining is essential.

Even as the International Energy Agency, the World Bank and others are projecting mineral demands growing more than 1,000 percent, the Natural Resources Budget Reconciliation Act contains punitive proposed fees on hardrock mining and land withdrawals that would further deepen our already alarming import reliance. The result? The U.S. could be sitting on the sidelines of a global economic recovery and energy technology race, relying on China and other countries for the mineral needs that are vital to our economy.

Natural Resources Budget Reconciliation Act: Proposes an 8 percent gross royalty on new mining operations and a 4 percent gross royalty on existing operations. It would also establish a 7 cent-per-ton tax on dirt, rock and other materials moved during the extraction process.

Punitive Royalty and Dirt Taxes Will Deter Mining on Federal Lands

Real-life impact: An 8 percent punitive gross royalty on new operations, along with a 7 percent "dirt tax," will erode the certainty mining proponents' value in the U.S. and threaten the industry's long-term viability. Application of a 4 percent gross royalty on existing operations also exposes the federal government to litigation under the U.S. Constitution's takings clause. As compared to a net royalty, a gross royalty inherently increases the risk of a given mining investment. The proposed 7 cent tax per ton dirt tax covers every ton of dirt moved. Hardrock mineral exploration and extraction is dramatically different from any other natural resource. The extracted rock from metal ores contains only a minor fraction of metallic minerals, while unprocessed and excess materials are not salable.

These new burdens ignore the extensive taxes already imposed on mining companies in the U.S. In 2019, domestic mining activity generated an estimated \$18 billion in federal, state and local taxes that supported direct, indirect and induced taxes of \$41 billion. As various studies have shown, the total "governmenttake" (royalties, taxes and other fees) for operations in the U.S. is in the 40 to 50 percent range, similar to other major mineral producing countries. These studies suggest that even a small federal royalty will push the U.S. beyond the upper limit of this range and thereby impair our global competitiveness, negatively impact employment and tax revenues, and drive mining activity off federal lands. Inevitably, such punitive measures would increase our reliance on foreign sources of minerals, which is already at a record high, creating additional supply chain vulnerabilities for the U.S. manufacturing, energy, infrastructure, and defense industrial sectors.

The mining industry has publicly committed to working in a bipartisan way towards finding a compromise on royalties that keeps the industry competitive. Punitive proposals like this are counterproductive.

Natural Resources Budget Reconciliation Act: Proposes new land withdrawals.

Access to Federal Lands is Critical to Domestic Supply Chain Security

Real-life impact: Currently, new mining operations are already either restricted or banned on more than half of all federally-owned public lands. While mining is not appropriate on all federal lands, given the vast amount already closed to mining operations, caution should be exercised when determining whether additional lands should be placed off limits. Federal lands continue to account for a significant percentage of our nation's minerals production given that Western states with the largest proportion of federal lands provide approximately 75 percent of our domestic minerals. Unnecessarily restricting access to additional federal lands harms our nation's economic and national security. In most instances, the extreme step of banning new mining claims is unwarranted as existing laws, including environmental requirements and land use planning processes, are adequate to protect special areas.