

US mining could thrive under Biden

Mining in the US could thrive under the administration of president elect Joe Biden as many elements of his plan to accelerate decarbonisation of the economy will require higher mineral inputs, except for coal which is likely to continue to contract. Much less clear is the direction he will give federal regulatory agencies.



US president elect Joe Biden

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The inauguration of Donald Trump as the president of the USA four years ago was generally welcomed by the mining and broader natural resource industry due to his professed desire to increase mining jobs.

Trump strove to peel back much of the environmental legislation and commitments by his predecessor Barack Obama—such as withdrawing from the Paris Climate Agreement—while telling federal regulatory bodies such as the Environmental Protection Agency, Bureau of Land Management and US Forest Service to reduce red tape and timelines for reviewing environmental permits.

However, the past four years have not been the free-for-all that some may have envisaged, in part due to a dearth of projects coming through the pipeline, and indeed, opposition to projects on environmental and social grounds resulting in significant pushbacks, such as the US Army Corps of Engineers rejecting the application for permits for the Pebble polymetallic project in Alaska by Northern Dynasty Minerals as being "not in the public interest".

Trump's lasting impact on the mining sector could be his recognition of the strategic vulnerability of the US in terms of mineral supply, particularly of a list of critical minerals essential for high-end industries such as aerospace, munitions and electric vehicles (EV). Trump's table-thumping to redomicile mineral production was later echoed by Tesla's Elon Musk as the company announced intentions to diversify upstream into the production of minerals required by the batteries he wants to put into his EVs.

This is also a common thread linking the outgoing Trump administration to the incoming administration of president elect Joe Biden, as the energy transition is high up on his agenda. During his election campaign, Biden said he would support domestic production of minerals such as lithium, copper, rare earths, nickel and other strategic materials used to make EVs and other products required by his US\$2 trillion climate plan and a commitment to reach net zero carbon emissions by 2050.

"Under Trump, the mining industry tried to position itself under this blanket of being a source of national defense and security," said Chris Berry, president of analytical firm Mountain House Partners.

"Under Biden, the narrative shifts to more of a climate change green growth issue.

"Trump viewed this through a very narrow lens of competing against China and creating jobs. Biden sees this as national security as well, but because climate change is an existential threat. This is the opportunity for the US and the mining industry in the US to lead the fight."

Companies with lithium projects are obvious potential winners here. Indeed, lithium stocks with a US presence such as Albemarle and Lithium Americas jumped the first week of January once it became clear the Democrats swept the Georgia Senate run-offs giving them control of both houses of Congress as well as the presidency.

"The positive impacts of the Biden presidency combined with a near term *blue wave* with Democrats controlling the executive and legislative branches of the US federal government include infrastructure spending which will be positive for copper, iron ore, met coal and other minerals; expansionary fiscal policies which will be positive for gold and silver; investment in manufacturing that generates local employment which will be positive for mining; accelerating the move away from fossil fuels which will be positive for copper, nickel, lithium, cobalt and uranium; and the federal government will purchase American made goods which will be positive for uranium and rare earth elements," Joe Mazumdar, of Exploration Insights, told *Mining Journal*.

Electrification is an existential threat to oil and coal companies, but they could leverage their experience in natural resource production to move into the supply of energy transition metals and thus be a key source of funding that minerals project development will require and is struggling to find elsewhere.

"Price is the biggest incentive, and the downward trajectory of coal means it is getting tougher to justify from an economic perspective," said Berry.

"I expect that to continue. Being in the fossil fuel industry over the next four years is going to be very challenging, therefore companies with experience in the extractives business will look at ways to integrate into the supply chain of battery mineral. Electrification these offers enormous opportunities for them."

However, for Mercenary Geologist newsletter writer Mickey Fulp, the interest in critical minerals is misplaced due to their relatively small-scale of consumption compared to other commodities such as copper. Of the battery metals, Fulp thinks the US has the ability to be self-sufficient in cobalt from mines on the horizon such as Trilogy Metals' Arctic project in Alaska, E-Cobalt's Cobalt project in Idaho, and others.

"I don't buy into the story being told time and time again that the transition away from fossil fuels to green tech will increase demand that much," Fulp said.

"The professed platform for critical minerals is for a bunch of stuff we hardly use anything off: rare earths, cobalt and lithium. What increases demand is the growing world economy. Copper demand increases 3.4% year-on-year and has done since 1900."

Companies with copper projects, given how much red metal the energy transition will require for everything from EVs and their charging infrastructure to wind turbines and electrification in general, are obviously on investors' watchlists.

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The US has copper projects advancing towards development but most of them have some kind of social or environmental controversy attached to them such as Antofagasta Minerals' Twin Metals project in Minnesota, Aquila Resources' Back Forty project in Michigan, Hudbay Mining's Rosemont project, and Rio Tinto's Resolution project, both in Arizona, for example. The US Forest Service is due to publish a final environmental impact statement for the latter on

January 15 and the Trump administration has indicated it plans to approve a controversial land swap needed for construction to commence, which Native American tribes say will destroy sites of cultural and religious value. The land swap would exchange land above the copper reserve for land Rio owns nearby. This has taken on a new context following the destruction of a 46,000-year-old aboriginal cave system by Rio in Australia in 2020. Indeed, the UK Local Authority Pension Fund Forum says it has written to both Rio and BHP asking how the project will affect local communities in the wake of the Australia incident.

"If we are going to electrify and decarbonize the economy, copper is the indispensable metal, more so than anything else," Berry said.

"Copper will literally touch every aspect of the EV supply chain and the greening of the grid. The great paradox here is the paradox of green growth: if we are going to decarbonise the economy it is going to take more raw materials, not less. How the public and private sectors reckon with this will be crucial to how successful we are in mitigating the effects of climate change."

Federal environmental agencies

While Biden may want domestic copper for electrification, overt support for projects by his administration is unlikely, nor is he likely to harangue or bully federal regulatory agencies in the way his predecessor did. It is more likely that he will leave federal agencies to make their decisions and respect them, although that does not mean he won't set the tone.

"[The Biden administration] will inform those regulatory agencies of change in policy and direction in the US. And the way that you can sell that to the public is that it is the way to a green future, you can't just flip the switch and it happens," Ron Macdonald, CEO of Zinc8 Energy Solutions, told *Mining Journal*.

"The metals and mining industry has to play a major part catching up with this. That also means on the regulatory front that the public policy requirements by the people in the US are met."

Biden was VP of the Obama administration which enacted rigorous environmental regulations that slowed US mining sector growth and it is possible he will seek to undo Trump's undoing of that.

Biden has already stated he intends to re-join the Paris Agreement. However, it is unclear what else he plans to do. "President elect Biden said he would re-join Paris on day one," said Berry.

"He has put forth a climate change plan that involves mining and he has committed to spend almost US\$2 trillion on green initiatives, but there is a lot of detail the market is looking for that we just don't have."

Industry participants also recognize that the incoming administration has a lot of urgent issues to deal with.

"President-elect Joe Biden's administration has a lot on its plate," Hugh Agro, president and CEO of Idaho gold explorer Revival Gold, told *Mining Journal*.

"We think the new administration's immediate focus will be on addressing the pandemic and restoring the economy. Responsibly-sourced minerals are indispensable to building renewable energy infrastructure and to our very way of life. We are hopeful that the Biden administration will recognize that there is a need to obtain minerals from domestic mines that are operated with high standards of environmental protection and worker health and safety and that provide jobs and taxes to help rebuild the economy."

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Mercenary Geologist Fulp sees a possible return to an Obama-era permitting scenario with federal agencies. "Trump tried to kill the deep state and we had four years where he put it on its heels. Now we have elected Biden who is the epitome of the deep state," he said.

"I think we are looking at a real slowdown in times for permitting. Under Obama we had eight years of anti-development and pro-bureaucracy. I don't think it okayed a permit for a new producing mine in eight years. The federal bureaucracies did a 180-degree turn when Trump came in so the president does have great sway over how those bureaucracies' function. Worse case, we go back to endless permitting under a Biden administration and potentially eight more years of outsourcing metals mining, but it remains to be seen as it is hard to get a read on Biden."

Jeffrey Pontius, president and CEO of Nevada gold explorer Corvus Gold, also believes the Biden administration will take a similar tone as the Obama administration.

However, a key permitting change Trump implemented bodes well for miners. "I think Biden will be less of an issue in states like Nevada where there are no environmental or Native

American red flags. In more sensitive areas there could be issues, particularly where there may be river issues or native species issues," Pontius said.

"The Trump administration didn't really change permitting that much and it is still a very rigorous process, and a well-worn path in states like Nevada. However, stipulated timelines rules came out in late 2020 which apply to the environmental impact statement process which sets the timeline for the NEPA (National Environmental Policy Act) analysis at 12 months. This means federal agencies like the BLM have to come out with a record of decision within 12 months of the initial submission of the application so there is no longer endless amounts of restudy. Trump also took away the cumulative impact analysis, which has been a big time sink in the past and will simplify permitting."

Trump's push to speed up the permitting processes of federal agencies is still working its course through Congress via various bills to enable battery metals projects to advance into production more quickly with the growing recognition of the competitive threat China represents to the EV materials supply chain, as well as the growing competition from Europe, which could benefit all mining projects.

"The US looks at China as the major competitor, but the US will also have to compete with Europe with respect to green growth, owning intellectual property and building our supply chains," said Berry.

"There is a fair amount of legislation in Congress now about basic things like expediting permitting time frames with a fair number of eyeballs on these issues."

Rather than potential new environment legislation, the biggest potential threat to US miners under Biden could be the taxman, as he looks to raise corporate tax rates

Miners will have to continue the trend of improving environmental performance, such as reducing the footprint of disturbed land, making efficient use of water, non-pollution of continental water sources, stepping up rehabilitation and reforestation programmes, and reducing emissions. Leading miners around the globe are already focused on this latter point and aim to dramatically reduce their CO2 emissions by 2030 to reduce their environmental footprint.

Rather than potential new environment legislation, the biggest potential threat to US miners under Biden could be the taxman, as he looks to raise corporate tax rates.

But as and when tax increases do come, they are likely to be felt by the mining sector.

"What will hurt the mining business overall is Biden's pledge to increase corporate tax rates," Berry said.

"This is generally challenging for the industry no matter what mineral companies produce."

Fulp agreed. "Raising the corporate tax rate from 21% to 28% means everyone will have to redo their feasibility studies as that will make a considerable difference to the net present value of a project," he said.

"Any significant revisions in the tax code will wait until at least the second year of a Biden administration because in the first year they are going to be focusing on fiscal stimulus, getting the country back on track, and raising taxes is not particularly a good thing to be doing at that point in time," said Jeffrey Christian of CPM Group in a videocast.

At 78 years of age, Biden will be the oldest president ever to assume the Oval office, which has raised questions about whether he will be able to serve the entire four-year term.