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ONE HUNDRED ELEVENTH CONGRESS

**Select Committee on
Energy Independence and Global Warming
U.S. House of Representatives
Washington, DC 20515**

F. JAMES SENSENBRENNER, JR., WISCONSIN
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EDWARD J. MARKEY, MASSACHUSETTS
CHAIRMAN

September 27, 2010

The Honorable Steven Chu
Secretary
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

The Honorable Robert Gates
Secretary
U.S. Department of Defense
1400 Defense Pentagon
Washington, DC 20301-1400

The Honorable Gary Locke
Secretary
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, DC 20230

The Honorable Ronald Kirk
United States Trade Representative
Office of the U.S. Trade Representative
600 17th Street NW
Washington, DC 20508

Dear Secretary Chu, Secretary Gates, Secretary Locke, and Ambassador Kirk,

On Wednesday, September 22nd, 2010, the New York Times first reported that Chinese officials were blocking shipments of rare earth elements from China to Japan in retaliation for Japan's detention of a Chinese fishing boat captain. This report comes on the heels of submission of a petition by the United Steelworkers union to the U.S. Trade Representative alleging that China has used hundreds of billions of dollars in subsidies and other illegal trade practices—including restrictions on exports of rare earth elements—to undermine foreign competitors and dominate the clean energy sector.

On September 22nd, the Select Committee on Energy Independence and Global Warming, which I chair, held a hearing on the global clean energy race. During the course of that hearing, the Committee heard testimony regarding the importance of the rare earth element market to the development of the U.S. clean energy industry.

As you know, rare earth elements are indispensable to a wide range of military, electronic, and industrial applications, as well as a variety of clean energy technologies, such as wind turbines, hybrid vehicles, solar panels and energy efficient light bulbs. The United States, once self-reliant in domestically produced rare earth elements, has become completely reliant on imports over the past 15 years and today has no rare earth mine production. Global production of rare earth elements was roughly 124,000 tons in 2009, 97 percent of which was produced in China. Global demand for these elements is

projected to skyrocket to 180,000 tons annually by 2012. With new mining projects taking a decade or more to reach production and China leading the world in rare earth reserves, the Chinese monopoly on rare earth element production threatens to continue well into the future.

We must ensure that raw materials needed to produce clean energy and other high-tech products are widely available if the United States and other countries are to have the capacity to participate in the global competition to develop and manufacture these products. If access to rare earth elements is restricted, a level playing field will be impossible to achieve across many key industries. In addition, as the case with Japan may prove to reveal, China can administratively restrict shipments at their ports without actually issuing official government regulations. This allows the Chinese government to officially deny intervening to restrict trade, making it much more difficult to bring action through World Trade Organization processes.

If Japan's release of the Chinese fisherman this week was indeed in any way a reaction to rare earth export restrictions or the threat of export restrictions by China, we have a clear demonstration of the unacceptably high strategic value these rare earth elements have reached. A disturbing precedent such as this should give us pause to consider what it might take for China to take similar steps against the United States and how vulnerable the U.S. economy is to disruptions in the supply of rare earth elements.

The recent events with Japan aside, the trend in Chinese rare earth trade policies are disturbing and bring into great doubt China's claim that it is a reliable global supplier of rare earth elements. China has begun restricting exports of rare earth elements through quotas and export tariffs, and, according to July data released by the Chinese Ministry of Commerce, they are cutting rare earth exports by 72 percent in the second half of this year.

It is with these concerns in mind that I request your response to the following questions by October 25, 2010:

1. Secretary Locke and Ambassador Kirk, to your knowledge, is the Chinese government currently, or has the Chinese government at any point since the Chinese fishing boat captain was taken into Japanese custody on September 7, restricted the shipment of rare earth elements to Japan? How were these restrictions implemented and enforced?
2. Secretary Gates, with so many defense applications dependent upon rare earth elements, what are the national security implications of possible Chinese restrictions of rare earth element exports? What is being done to mitigate these impacts?

3. Secretary Locke and Ambassador Kirk, how much have Chinese exports of rare earth elements to the United States changed since the Chinese government implemented export quotas and other measures restricting the flow of rare earth elements out of the country?
4. Secretary Locke and Secretary Chu, what has been the impact of these export quotas on the U.S. clean energy industry and other industries dependent upon these materials?
5. Secretary Locke and Ambassador Kirk, when do you anticipate China meeting its 2010 export quota of rare earth elements?
6. Secretary Locke and Secretary Chu, what do you anticipate the impact on the U.S. clean energy sector and other sectors dependent upon rare earth materials will be if Chinese exports are halted after that 2010 quota is met?
7. Secretary Chu, the Department of Energy has announced that it is developing a strategic plan concerning rare earth metals and other materials in energy components, products and processes. What is the status of this strategic plan and when will it be available for review by members of Congress and the public?

Should you have any questions about this request, please have you staff contact Jonathan Phillips on my staff at (202) 225-4012. Thank you for your attention to this matter.

Sincerely,



Edward J. Markey
Chair

cc: The Honorable F. James Sensenbrenner, Jr.
Ranking Member