

DEPARTMENT OF DEFENSE TAKES IMMEDIATE ACTION TO SHORE UP CRITICAL MATERIALS SUPPLY CHAIN

On February 25, 2021 President Biden signed Executive Order 14017 to secure America’s critical supply chains. The Executive Order directed the Administration to immediately launch a 100-day review and strategy development process to address vulnerabilities in the supply chains of four key products, including strategic and critical materials. The report, led by the Department of Defense, and its recommendations have been submitted to President Biden and the Department is taking immediate action to shore up the critical materials supply chain and U.S. competitiveness.

Strategic and critical materials are the building blocks of a thriving economy and a strong national defense. They can be found in nearly every electronic device, from personal computers to home appliances, and they support high value-added manufacturing and high-wage jobs, in sectors such as automotive and aerospace. These supply chains are at serious risk of disruption and are rife with political intervention and distortionary trade practices. Though the Department of Defense has requirements for strategic and critical materials, the civilian economy would bear the brunt of the harm from a supply disruption event.

Today, at the beginning of the third decade of the 21st century, a new industrial era of low-carbon and increasingly energy-efficient products are converging with autonomous and internet-of-things devices, which may lead to massive gains in productivity and economic growth. If the United States wants to capture the full benefits of this new era, we must look to the sustainability of our strategic and critical materials supply chains. The Department of Defense can play an important role in harnessing these new economic opportunities, but cannot carry-out this task alone. The Department of Defense recommends a whole-of-government approach to diversify international supply chains and move global markets toward sustainably, responsibly produced sources of critical minerals and materials, as well as a mineral-by-mineral strategy to explore and expand sustainable domestic production, processing, and recycling of critical minerals and materials domestically. Whether sourced from abroad or domestically, U.S. investments in the critical mineral and material supply chain must ensure strong environmental, environmental justice, and labor standards and meaningful community consultation, including with Tribal Nations through government-to-government collaboration.

The Department of Defense report offers a set of recommendations to ensure the U.S. has access to the strategic and critical minerals necessary for economic security, addressing the climate crisis, and national defense. These recommendations center on four pillars:

- **Developing and fostering new sustainability standards for strategic and critical material intensive industries:**
 - Convening private sector and non-governmental organizations to develop easily understandable sustainability metrics for strategic and critical materials
 - Establishing the federal government as a sustainability leader by convening the Federal Acquisition Regulatory Council to develop a rule that provides a preference or requirement for the selection of products with higher sustainably-produced content in procurement actions
- **Expanding sustainable domestic production and processing capacity, including non-traditional mining and recycling:**
 - The Environmental Protection Agency will work with state and local governments to create uniform guidance and collection procedures for end of life items containing strategic and critical materials
 - Develop public-private partnerships to requalify materials reclaimed from end of life recycling

100-Day strategic and critical materials – Topline Recommendations/Fact Sheet

- The U.S. Geological Survey and other interagency partners will develop a national strategy to reclaim strategic and critical materials from mine waste sites
- The Department of Interior will work with Congress to obtain expanded funding and full staffing for the U.S. Geological Survey’s Mineral Resources Program, including the National Minerals Information Center
- Consistent with the requirements in statute, DoD will deploy Defense Production Act (Title III) incentives for sustainably-produced strategic and critical materials, including scaling proven research and development concepts and emerging technologies from other programs, such as the Small Business Innovation Research awardees

- **Strengthening U.S. stockpiles actions, including requests to Congress for:**
 - Appropriation of at least \$1 billion over the next Future Years Defense Program to sustain National Defense Stockpile (NDS) operations
 - Reforming the *Strategic and Critical Materials Stock Piling Act of 1979* to provide more flexible acquisition authorities, “loan” material to industry and other Federal agencies, and related authorizations to recruit, retain, and incentivize the hiring of highly-qualified personnel for the NDS program
 - Reinstating the biennial modeling and simulation requirement for strategic and critical material supply chains under national emergency conditions (50 U.S.C. 98h-5).

- **Working with allies and partner nations and promoting greater global transparency:**
 - Strengthening governance and transparency in strategic and critical materials supply chains through government-to-government fora and related collaborative networks, such as the Energy Resources Governance Initiative or the Extractive Industries Transparency Initiative
 - Providing financial incentives to increase sustainability in overseas mining practices, via assistance from the Export-Import Bank and the U.S. International Development Finance Corporation
 - The Departments of Treasury and Justice will lead interagency development of a spend plan to (1) fully-resource their activities to trace strategic and critical material supply chains and investigate money laundering, corruption, links to organized crime, and human rights abuses, and (2) implement the appropriate mix of civil, criminal, and administrative enforcement actions

As previously stated, this must be a whole of government approach to ensure the U.S. has access to strategic and critical materials, to ensure our national economic well-being and our national defense.