

# Public Statements & Remarks

## Statement of Commissioner Christy Goldsmith Romero on U.S. Supply Chain Resilience for Critical Minerals

Before the Energy and Environmental Markets Advisory Committee

Golden, Colorado (Appearing Virtual)

February 13, 2024

I want to thank the members of Energy and Environmental Markets Advisory Committee (“EEMAC”) for your service. I am glad to see this committee out in the field gathering invaluable real-world experiences. I want to thank Commissioner Mersinger for sponsoring this committee, and to the staff, especially Lauren Fulks.

The continued exploration of metals and minerals markets is important given increased demand related to the low-carbon transition. Increased electrification raises important issues of supply chain resilience. This includes the sourcing, manufacturing, and processing of metals and minerals in the U.S., rather than the U.S. being dependent on foreign sources.

I am particularly interested to hear today about exploring the role of rare earth minerals in transitional energy and electrification. Rare earth metals are critical components of EV batteries, magnets, and wind turbines. Demand for many of these metals is projected to surge.[1]

The U.S. was the leading producer of rare earth minerals for many years starting in the 1960’s, until over the course of many years, China took over production of rare earth minerals.[2] In 2020, “China was estimated to control 55 percent of global rare earths mining capacity...and 85 percent of rare earths refining.”[3]

The Biden administration released a supply chain assessment that found that “over-reliance on foreign sources and adversarial nations for critical minerals and materials posed national and economic security threats.”[4] This assessment states that, “the United States must secure reliable and sustainable supplies of critical minerals and metals to ensure reliance across U.S. manufacturing and defense needs, and do so in a manner consistent with America’s labor, environmental, equity and other values.”[5]

To support increasing demand for rare earth minerals, the Biden administration has directed nearly \$200 million in Inflation Reduction Act and Bipartisan Infrastructure Law incentives to increase the resilience of the supply chain.[6] Those funds catalyzed an additional nearly \$700 million in private investment in processing, refining, and recycling facilities, including at the Mountain Pass mine in California, which is one of the largest deposits of these minerals in the world.[7]

## Derivatives Markets as a Risk-Management and Price Discovery Tool for Critical Minerals

With a perceived surge in demand for critical metals and minerals markets, I am grateful that we are studying the potential development of derivatives products to offer price discovery and risk-hedging opportunities in these markets. In late 2022, battery metal prices skyrocketed in response to surging demand. But new supply has brought prices for lithium and cobalt down significantly.[8] That's good news for buyers of EVs and renewable energy developers. Miners and processors of these metals will have to deal with this and manage the risks that come with uncertain commodity prices as they make future investment decisions. The rapid growth of recently introduced derivatives contracts in cobalt and lithium suggests that some miners and manufacturers are already incorporating hedging into that risk management strategy.

Broader economic and societal trends also affect critical mineral supply chains. As the sponsor of the CFTC's Technology Advisory Committee, I'm always keeping an eye out for the way that emerging technologies may affect our markets. Earlier this month, a mining startup announced that it had used artificial intelligence to identify one of the largest high-grade copper deposits in the world.[9] The AI tool scraped historical archives, including even maps painted on linen, to identify where to explore for minerals. It will be important for the CFTC to keep an eye on how future developments in AI affect market dynamics.

There are currently no rare earth minerals derivatives contracts listed in the U.S. The 100-day supply chain report discussed challenges to transparency in these markets, discussing that "individual strategic and critical materials markets are often small, with incomplete information on trade flows, production, prices, or inventories." [10] The report also discusses that because the number of market participants tends to be very small, there is an asymmetry of information.[11] If rare earth minerals derivatives markets do launch to meet demand, the CFTC should monitor those markets to ensure that they are fair, competitive, and prices are set by market fundamentals, and not excessive market power or manipulative trading.

I look forward to hearing more about these minerals today, as well as from the other presenters. Thank you all for your continued service.

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[1] The White House, Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth (<https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf>) (June 2021) (hereinafter "White House 100-Day Supply Chain Review").

[2] See *Id.*; see also The White House, Fact Sheet: Securing a Made in America Supply Chain for Critical Minerals (<https://www.whitehouse.gov/briefing-room/statements-releases/2022/02/22/fact-sheet-securing-a-made-in-america-supply-chain-for-critical-minerals/>) (Feb. 22, 2022).

[3] White House 100-Day Supply Chain Review (<https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf>)

[4] See *Id.*; see also The White House, Fact Sheet: Securing a Made in America Supply Chain for Critical Minerals (<https://www.whitehouse.gov/briefing-room/statements-releases/2022/02/22/fact-sheet-securing-a-made-in-america-supply-chain-for-critical-minerals/>) (Feb. 22, 2022).

[5] See *Id.*

[6] The White House, Fact Sheet: Securing a Made in America Supply Chain for Critical Minerals (<https://www.whitehouse.gov/briefing-room/statements-releases/2022/02/22/fact-sheet-securing-a-made-in-america-supply-chain-for-critical-minerals/>) (Feb. 22, 2022).

[7] Maddie Stone, “A once-shuttered California mine is trying to transform the rare-earth industry (<https://grist.org/energy/a-once-shuttered-california-mine-is-trying-to-transform-the-rare-earth-industry/>),” *Grist*, (Jun. 15, 2023).

[8] Yusuf Khan, “Low Battery Metal Prices Set to Persist in 2024 (<https://www.wsj.com/articles/low-battery-metal-prices-set-to-persist-in-2024-adding-friction-to-energy-transition-3773ba00>),” *The Wall Street Journal Pro Sustainable Business* (Dec. 28, 2023)

[9] Harry Dempsey, “Bill Gates-backed mining company discovers vast Zambian copper deposit (<https://on.ft.com/4962btd>),” *Financial Times* (Feb. 5, 2024).

[10] White House 100-Day Supply Chain Review (<https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf>).

[11] *See Id.*

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