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Governor Sean Parnell
STATE OF ALASKA

February 22, 2011

The Honorable Barack Obama
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Re: Domestic Supply and Production of Rare Earth Elements

Dear Mr. President,

I appreciate your administration's recognition of the vital need to rapidly secure a domestic supply chain of rare earth elements (REE's). China produces approximately 97 percent of the world's REE's, but reduced its export quotas by 40 percent in 2010, and has already announced a further reduction of 11 percent in the first half of 2011. I believe the State of Alaska can be part of a solution for the nation.

First, Alaska has very promising supplies of REE's. My Department of Natural Resources (DNR) has performed a preliminary survey which found that Alaska has more than 70 known REE mineral occurrences. The Bokan Mountain site is one of the largest known REE deposits in North America and has significant deposits of the highly valued "heavy" REE's such as dysprosium. I have proposed funding to the Alaska Legislature for a comprehensive three year project to determine the potential of REE deposits on State lands. This project will include conducting geologic field work and developing Alaska-specific REE mineral deposit models. A copy of the most recent DNR report on REE's in Alaska is attached to this letter.

Federal government lands make up nearly two-thirds of the state, and it is not uncommon for State and federal lands in Alaska to be interspersed. Please consider directing the United States Geological Survey to conduct a similar inventory and geological field work project on federal lands in Alaska, and to work cooperatively with DNR. These two agencies have a long history of working very well together.

Second, as noted by Secretary Chu, the federal mine permitting system in the United States ranks as the least efficient or timely among 25 mining countries, requiring an *average* time frame of seven to 10 years to deliver a permit. This compares to Australia where permits are often issued in one to two years. In order to ensure an effective NEPA process, high ranking managers from federal agencies with decision making authority (particularly from the EPA) need to coordinate early and often with each other, permit applicants, and state agencies.

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Third, Alaska can contribute research assets as well. As noted by Secretary Chu, research and development is needed in several areas, including the production and manufacturing processes, and applications for REE products. (China has thousands of scientists and two research centers devoted to REE's.) The University of Alaska's Arctic Region Supercomputing Center already serves a main user of REE's, the Department of Defense. With the ability to solve up to 30 trillion arithmetic calculations per second, the supercomputing center provides a broad range of high performance computer services that could possibly be directed at research related to REE's.

Your Department of Energy and its national laboratory research system is already a leader in REE research. I will ask the University to contact and meet with representatives from the Department of Energy and discuss the possibility of using the arctic supercomputer center for REE research and development.

Finally, I urge you to work with Congress to review the merits of amending existing federal statutes to allow the Department of Energy authority to provide loan guarantees, grants, and tax credits for the general mining and processing of REE's. I also agree with Senator Murkowski and Senator Begich, who wrote Secretary Gates on January 28, 2011, to urge him to study and consider establishing a limited stockpile of REE's.

Please consider my suggestions. Decisive and rapid action now can secure a domestic supply chain of REE's. Our nation can look "North to the Future" to Alaska for solutions on REE's.

Best regards,



Sean Parnell
Governor

cc: The Honorable Dan Sullivan, Commissioner, Alaska Department of Natural Resources
John Katz, Director of Federal/State Relations and Special Counsel, Office of the Governor