



Inflation Reduction Act offers tax break to miners; Climate change legislation aims to spark domestic production

U.S. PRESIDENT Joe Biden signed into law the Inflation Reduction Act (IRA) on Aug. 16. The IRA includes roughly \$369 billion of federal funding for climate change and energy security that aims to boost domestic capacity to produce wind turbines, solar panels and electric vehicles (EV).

It is the largest investment ever made to reduce greenhouse gas emissions and could provide a boost to domestic mining as well.

In addition to extending existing EV subsidies to consumers, the IRA includes incentives to mining companies that produce the minerals needed for the production of batteries for EVs and other renewable energy technology.

The IRA states that at least 40 percent of the critical metals in the EV battery — lithium, nickel, cobalt and manganese — must come from the United States or a Free Trade Agreement (FTA) partner. That percentage rises to 80 percent in 2026. Automakers lobbied against these links to domestic production, arguing that the United States does not have the capacity to mine or process the

materials needed to meet the demand. However, Sen. Joe Manchin (D-WV), the architect of the minerals sourcing component of the EV subsidy section, said it will spur development. Automakers should “get aggressive and make sure that we’re extracting in North America, we’re processing in North America, and we put a line on China,” Manchin said.

To encourage domestic production, mining companies that produce any amount of critical minerals will be able to write off 10 percent of the cost of their operations. Other provisions of the law aimed at encouraging greater production of critical minerals in the United States include \$500 million for “enhanced use” of the Defense Production Act to provide economic incentives to create, maintain, protect, expand or restore domestic sources for critical components, critical technology items, and industrial resources. The act includes a \$40 billion commitment for the U.S. Department of Energy’s Innovative Technology Loan Guarantee Program.

“The domestic rare earth industry will benefit directly and indirectly from the Inflation Reduction Act.

Directly, Section 45X provides a 10 percent credit to offset costs incurred in rare earth (and other critical mineral) production,” Matt Sloustcher, senior vice president of communications and policy at MP Materials told *Mining Engineering*.

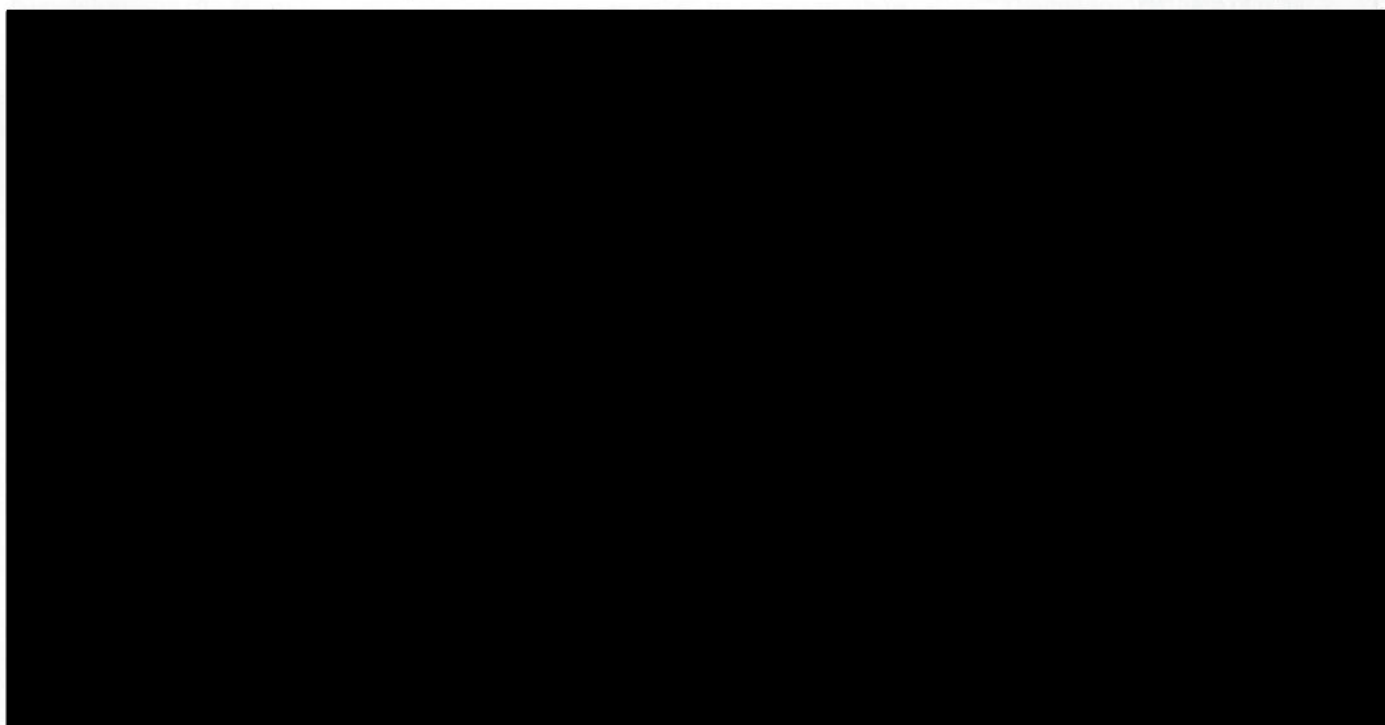
MP Materials owns and operates the Mountain Pass Mine in California, the only rare earth mine in the United States currently in production.

“This credit will help level the playing field and complement a \$700 million investment we are making over the next few years to restore the full rare earth supply chain in the United States. In addition to 45X, Section 48C provides investment tax credits to help offset capital investments in these manufacturing facilities,” Sloustcher said.

Likewise, NiCorp is developing a critical minerals project in Southeast Nebraska that will produce niobium, scandium and titanium and see the IRA as a boost to domestic mining.

“NiCorp could benefit substantially from these new production tax credits in the future,” said Mark A. Smith, NiCorp’s

(continued on page 17)



IRA: Hurdles remain to meet climate goals

(continued from page 10)

president, chief executive officer and executive chairman. “This and other provisions in this law send a powerful signal to producers, markets and investors that the U.S. government wants to up its game in terms of encouraging more production of American-made critical minerals.”

However, significant hurdles remain, including the permitting of domestic mines.

It currently takes seven to 10 years for a mine to be permitted in the United States and a number of projects that would include critical minerals such as the Twin Metals copper and nickel mine have recently been blocked.

Manchin and Senate leader Chuck Schumer (D-NY) issued a statement

that said, “We have reached an agreement with President Biden and Speaker Pelosi to pass comprehensive permitting reform legislation before the end of this fiscal year.”

The Inflation Reduction Act is in addition to \$6 billion that was awarded to the Department of Energy as part of the Bipartisan Infrastructure Law passed in 2021. The Department of Defense is separately investing in a \$120 million rare earths separation plant in alliance with Australia’s Lynas Rare Earths.

Such huge U.S. government investment in mining and metals processing hasn’t been seen since World War II and the Biden Administration has invoked a relic of the Korean War — the Defense Production Act — to stimulate it further. ■

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