

**ANSWERS TO POST-TESTIMONY QUESTIONS FROM
CHAIRMAN PAUL BROUN**

**HOUSE OVERSIGHT SUB-COMMITTEE ON SCIENCE, SPACE &
TECHNOLOGY**

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WITNESS:

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1. As I complete these answers for the Sub-Committee, Anglo American -- the senior investor in the Pebble Project -- has announced its decision to exit the project. Judging from initial reports, this looks to be an internal business decision by a new CEO brought in specifically to cut costs in the company's long-term development pipeline and refocus on operating assets. That said, there is little question in my mind that the Watershed Assessment and the "pre-process" it has spawned clearly contributed to the uncertainty surrounding the Pebble Project, which would weigh against it in any corporate consideration.

Northern Dynasty (now full owner of the Pebble Partnership), has stated that it hopes to begin the permitting process by the end of the year, which means the controversy around the value of the Watershed Assessment exercise -- and specifically the hypothetical construct at its core -- remains a live issue.

Looking at the EPA's Watershed study and the new decision by Anglo American to exit the Pebble Partnership, the mining industry will continue to watch these developments closely, with concerns that their prospective projects could be next in line for a pre-permitting review -- and potential pre-emptive veto.

2. A pre-emptive EPA veto would indeed set a precedent for future use. As I have said, the issue here is larger than a single mine or a single metal. According to a study by The Brattle Group, more than \$220 billion in new investment runs through Section 404 of the Clean Water Act -- investment in mine development, but also construction and agricultural projects. EPA's unilateral use of a preemption power would create a chilling effect across all

investment, with adverse consequences for the American economy and American competitiveness.

3. Answering this question based on the hypothetical constructs used in the Watershed Assessment seems to me to be an empty exercise. The direct and secondary economic impacts of developing the Pebble Mine will be clear when the project – with all of its particulars – is presented for permitting, and economic and scientific analysts can assess and evaluate a real project, not a hypothetical construct.

4. Any discussion of the geo-politics of copper, and its impact on the U.S., should begin with the recognition of our current annual copper shortfall: 600,000 Metric Tons.

China, with its far greater growth rate, is projecting increased copper demand – even as it maintains a copper stockpile, currently equal to one full year of U.S. usage, with reports that China continues to add to its copper holdings. Pressure to import copper to meet U.S. demand therefore strengthens a global market in which copper producers include Russia, Angola, Pakistan, DRC Congo -- even Iran (intent on doubling copper production by 2015). Even if we can't buy from Iran, this copper enters the global market and perhaps U.S. manufacturing sub-components.

Delaying or denying domestic copper mines (as in the case of other metals as well) seeking to enter the NEPA process needlessly perpetuates foreign import dependence that can threaten U.S. national security and skew U.S. foreign policy.

Copper's national security implications are important for an additional reason, having to do with common copper by-products, which have strategic applications. Regarding Rhenium, for instance, which can be captured during copper production and is key to high-performance jet fighters -- we currently import more than 80% of annual supply from Chile and Kazakhstan. The latter, in particular, is stable now -- but what about 10 or 20 years from now? Our weapons platforms can stay in service for more than 30 years. We need to be sure we can source materials critical to their continued functionality from domestic supply long into the future.

Lastly, on the national security front, DoD's Institute for Defense Analyses has identified copper as a “shortfall” material that has caused a major weapons system delay.

The Watershed Assessment offers no place for these compelling policy concerns to be addressed. NEPA, on the other hand, is expansive enough to allow expert analysis on such issues to be part of the decision process – which in my mind is another reason to prefer the established NEPA process to an ad hoc alternative unilaterally imposed by EPA.

5. In terms of outside groups, the Watershed Assessment has opened the door to letter and email campaigns for and against the Pebble Project, with communications numbering in the hundreds of thousands. If EPA is to assess each of these individually, the task will be enormous – in both manpower and cost. If EPA does not review each submission individually, on what criteria will it choose to officially “notice” some but not others? In making this comment, I must add that these sorts of public comments have a place in the existing NEPA process – adding them to a pre-permitting process as in the Watershed Assessment contributes nothing in terms of public comment opportunities that are not already available, and saddles the mine permitting process with new sources of duplication and delay.

6. As I indicated in my testimony, American Resources Policy Network sent a letter expressing our concerns to Senate and House committee leaders, as well as EPA officials. We have received no official reply from any of the officials or agencies.

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