P2P Strategies

SILVERADO POLICY ACCELERATOR

Financing the Stone: Unlocking Funding for Critical Mineral and Rare Earth Element Production

U.S. International Development Finance Corporation, ExIm Bank, Departments of Commerce, Defense Offices of Strategic Capital and Defense Industrial Base, and Energy's Loan Program Office and Manufacturing & Energy Supply Chain

When: April 8, 2024, 12:00 PM - 2:00 PM
Where: BENS 1030 15th Street NW, Suite 200 East, Washington, DC 20005
Format: Chatham House Rule roundtable discussion; closed to media.

The demand for many critical minerals is escalating and will only continue to soar over the next decade. The United States and our allies do not have the capability to produce and refine nearly enough critical minerals to meet the demand for semiconductors, electric vehicles, defense and military technologies, and energy storage let alone meet the demand for necessary technology products and successfully achieve a clean energy transition. Our modern lifestyle cannot function without critical minerals.

The escalating demand for critical minerals is occurring at a time of increased geopolitical tension, and more countries and companies are competing for finite resources resulting in increasing pressure on existing supply chains. However, securing our critical minerals' supply chain and improving the resiliency of these networks cannot be done the need for access to capital both from the private sector and with government support and incentives. The United States and its allies are unfairly disadvantaged in investing in critical mineral projects domestically and abroad because China's state-guided finance and investment are heavily subsidized. U.S. and allied companies are often hesitant to invest due to the high-risk profile of critical projects and inadequate financial support from their governments, making this sector unattractive for investment.

The key question becomes, how do Western governments work with private companies and multilateral banks to unlock necessary funding to support the diversification and strengthening of these allied supply chains? What are the financial tools and mechanisms we need to implement to de-risk investment in critical mineral projects?

Objective: Improve coordination amongst U.S. government development finance organizations, allied finance organizations, and the private sector to enable greater investment in critical mineral and rare earth element supply chains. Develop increased risk appetites and coordination mechanisms to offset the competitive advantage of the Chinese Communist Party. Identify measures or processes that will provide enough incentive for investment without the government taking on undue risk or artificially affecting the market.

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AGENDA

11:45-12:00	Guest Arrival & Coffee
12:00-12:15	Room Introductions
12:15-12:30	De-Brief of Previous Diplomatic Roundtables
12:30-12:45	Opening Remarks from Invited Guests
12:45-13:45	Discussion
13:45-14:00	Wrap-Up & Adjourn

DISCUSSION QUESTIONS

1. What changes are needed to existing development financing mechanisms to enable greater investment in critical mineral and rare earth element supply chains?
    a. Are existing mechanisms sufficient or are new authorities needed? Are risk registers fit for purpose or do risk appetites need to increase to allow larger investments in projects outside of the scope of traditional development finance priorities?
        i. Are additional 'middle-income country restrictions' removals necessary?

    b. How can existing development finance mechanisms scale to support larger projects with longer-lead times?
        i. Do loan caps need to increase further?

    c. What actions are necessary to achieve a 'whole-of-government' approach to development finance within the U.S. government?
        i. What is the status of the investment scoring mechanism within U.S. DFC within the U.S. Congress?

        ii. What provisions are needed for DFC financing to be more flexible for critical mineral projects in the new BUILD Reauthorization Act in 2025?

2. What role can or should partner countries (and attendant sovereign financing) with critical minerals and rare earth element reserves play in the financing of exploration, development, mining, and processing?
    a. Should these countries have greater equity and investment in the projects to incentivize better collaboration and partnership with the private sector?

    b. What role can or should U.S. development finance institutions plan in supporting this investment?

3. What do private companies need from the government and development finance entities to better compete with the Chinese Communist Party over finite critical mineral and rare earth element reserves?

    a. How can the government play a constructive role in offsetting the unfair competitive practices of the Chinese Communist Party without artificially distorting the markets or incentivize undue risk taking?

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