Senate and Congressional Western Caucuses,
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Testimony of General Moly, Inc.
Presented by Patrick Rogers

Introduction

Thank you for the opportunity to address this caucus about an issue of vital importance – that issue is the continued viability of the mining industry in the United States. My name is Patrick Rogers and I am speaking on behalf of General Moly, Inc and our Mt. Hope molybdenum mine project. I am educated as a geologist, having received Bachelor's and Master's degrees in Geology from the University of Idaho. I have been working in the hard rock mining industry for 25 years, primarily in Nevada, and primarily in the field of environmental permitting and compliance. During that time the Nevada mining industry has flourished, and Nevada hosts many operating mines that provide jobs and materials, essential to maintaining the quality of life that we enjoy in the United States.

Nevada is blessed with great mineral wealth and it is certain that many more mineral deposits will be found. Like much of the west, Nevada is also very rural and much of the state is public land, managed by federal agencies – in Nevada, eighty-seven percent (87%) of the land is federally controlled. The rural economies, state economies and indeed the economy of the entire country are greatly enhanced by development of mining projects. In fact, mining is one bright spot in the otherwise struggling national economy, and the hard rock mining region of Northern Nevada has been remarkably prosperous. In 2011, mining, with an increase of almost 15%, was one of the few industry sectors that added jobs in Nevada *(*Nevada Department of Employment, Training and Rehabilitation).

Our company, General Moly, Inc., will develop the Mt. Hope mine located approximately 22 miles north of Eureka Nevada. The Mt Hope ore body is one of the largest and highest grade undeveloped molybdenum deposits in the world. This mine will have a 44 year mine life, and will produce around 40 million pounds per year of molybdenum trioxide, or approximately 8% of global production. It will directly employ around 400 people over a 44 year mine life. Capital costs of construction will be over $1 Billion, agreements are in place for full financing, and the first five years of production have already been sold. This project is truly shovel-ready.

I will talk today about the value of the Mt. Hope Mine and some of the regulatory obstacles to its success.

Value of the Mt Hope Mine

The Mt. Hope Mine will provide tremendous value by creating jobs and economic activity, generating taxes, enhancing national security and providing stability and development to the rural community.

During the 18 to 24 month construction period, approximately 600 construction workers will be employed. Following construction, there will be a full-time work force averaging 400. Mt Hope will have a wide range of jobs, including equipment operators, mechanics, engineers, metallurgists, geologists, accountants, human resource specialists, buyers, and planners. To attract and retain quality employees we'll be competitive in wages with the rest of the industry. Currently, average pay in the mining industry is around $80,000, plus excellent benefits. According to *An Economic Overview of Nevada's Minerals Industry, 2010 – 11*, written by mineral economist Dr. John L. Dobra and published by the University of Nevada, the indirect multiplier for mining jobs is 5.23:1. Thus, the 400 direct jobs created by the Mt Hope Mine will be responsible for creating and maintaining a total of over 2,000 jobs.

A tax stream of nearly $700 Million over the life of mine, or $15 Million per year, in State and local taxes will be generated by the project. Approximately $345 million will be paid to the county, which will fund government services and the school district. This is in addition to federal income taxes. During the construction period alone, over $30 Million will be generated in State and local taxes – at a time when Nevada, like many other States, is struggling with budget shortfalls. During operations, the mine will generate over $300 million dollars per year in economic activity.

This molybdenum mine is also important for our nation's security. Molybdenum used as an alloying agent enhances hardenability, strength, toughness, and corrosion resistance, and about 75% of moly consumption is for iron, stainless steel and steel alloys. Some of these uses include jet engine and turbine components, armor and other defense-related applications, structural steels, tool steel, drill steel and pipelines. Molybdenum is essential for contemporary industrial technology - that is for materials that are serviceable under high stress, expanded temperature ranges, and highly corrosive environments. It is also used in crude oil refinery catalysts, in part to remove sulfur from diesel fuels to meet stringent new environmental standards. Development of a reliable domestic supply is critical in reducing our foreign dependence on this extremely important metal.

The Mt. Hope Mine will also provide stability and development to the rural community of Eureka, Nevada. The mining industry has traditionally supported educational and social improvements in the communities in which they operate. An example of this is the Diamond Valley Sustainability Trust we created with an initial contribution of $4 Million to help find solutions to the severe over-pumping of the groundwater aquifer by the agricultural industry over the past 50 years. Business in Eureka has been stagnant or declining for many years and this project will breathe new life into the local economy. The mine will also allow future generations to have high-quality jobs without leaving their home town.

Regulatory Burdens

Permitting Timelines

Any business today must adhere to regulatory and permitting requirements, and no business is more regulated than hard rock mining operating on public lands. The public

demands, and deserves, that public land uses are conducted in a manner that is protective of the environment. Scrutiny of proposed projects is appropriate because we all want to maintain the environment and the quality of our public lands. However, there is a real threat that over-regulation will threaten the global competitiveness, and even the survival of this industry.

This shovel-ready economic engine is on stand-by, hampered by the arduous, lengthy, and overly complex permitting process. Collection of baseline environmental data for the Mt. Hope Mine began over six years ago. We will need about two dozen environmental permits and approvals, but the preparation of an Environmental Impact Statement (EIS) to support Plan of Operations approval by the Bureau of Land Management (BLM) is the most rigorous, expensive and time-consuming. We have spent over $25 Million on environmental studies and analyses. We have employed over two dozen consulting companies and many scores of technical professionals to complete this work. But even more problematic than the cost in dollars is the cost in time.

Our Plan of Operations was deemed complete by the BLM's Battle Mountain, Nevada District Office about five-and-a-half years ago, and we anticipate final approval in the second half of this year. That is approximately six years, during which the number one priority and primary focus of our entire company has been to complete this permitting process. Unfortunately, this is the norm for mine permitting in the United States. This expense is incurred before there is any potential for revenue to be generated. This delay on return stifles investment in mineral exploration and development. Simply stated, the United States begins to appear less attractive relative to other countries. This hurts U.S. competitiveness in the mining industry; it drives good jobs overseas and makes us more dependent on foreign sources for the supply of strategic minerals.

National Environmental Policy Act Revisions

The National Environmental Policy Act (NEPA) is a remarkable law in concept. It mandates that the environmental impacts of a federal undertaking be determined and disclosed to the public and that the lead agency analyzes impacts to all resources as part of the decision-making process. Unfortunately, implementation of this law has become overly bureaucratic, and is more focused on the process than on sound decisions and environmental protection. It has become venue or mechanism for opposition groups to delay or completely thwart legitimate projects. It is appropriate to revisit this law and its implementation so it is used to achieve its intent.

Part of the NEPA process is to publish a Notice of Availability (NOA) in the Federal Register. This notice, simply stating that a decision has been made or that a document is available for review, has taken up to several months, and must be done at least twice during an EIS! Bob Abbey, Director of the BLM, has recognized this problem and worked to improve timelines, and we appreciate this positive development. However, it is time to consider allowing district offices to approve these publications.

Also, comment periods should be honored. Comment periods vary depending on the complexity of a document, but any agency, including the EPA, that is sufficiently concerned, should allocate the resources to complete their review within that time period. It is simply unfair to allow some groups or agencies to ignore comment deadlines; the lead agency should rigorously enforce these comment deadlines.

Finally, litigation of NEPA decisions is becoming all too common. Appellants should be required to show legitimate standing or demonstrate the potential for a realistic impact, in order to have their appeal considered. Right now, a multi-million dollar investment can be threatened on frivolous grounds for the price of a postage stamp. Understandably, this results in land management agencies becoming even more cautious, conducting analyses to a level of detail and precision that does not improve their decision, but is aimed solely at preventing their decisions from being overturned on appeal.

Certainty of Outcome

A company with a viable deposit and the commitment to comply with the regulatory requirements as defined by law must be allowed to develop that project. Clearly, any project must complete the requisite permitting and analysis steps to obtain approval. And, there are rare occasions where a project poses an irreconcilable environmental impact. However, we must not promulgate laws or policies that would allow agencies the discretion to subjectively deny authorizations.

We need to prevent uncertainty in permitting so that investment in mining projects is more attractive and the domestic mining industry remains competitive. Every business has risks, but the risk of not being allowed to start up is an unacceptable disincentive to business development. For projects that have valid mineral claims and viable deposits on lands managed for multiple uses, we need to provide certainty of outcome.

Financial Assurance

Federal land management agencies and most states require financial assurance for reclamation of disturbed land and mitigation of impacts. The programs to administer these requirements have evolved greatly over the past fifteen to twenty years based on agency experience with reclamation of actual mining operations. These programs require cost estimates for reclamation, revegetation, monitoring and closure, so that the bonding amounts are accurately calculated and these estimates are based on conservative assumptions.

The Mt. Hope Mine will have a reclamation bond that is currently estimated at over $70 Million, just for the disturbance associated with the first 3 years of operation. To further ensure the public is protected from bearing the cost of any reclamation or remediation, mining companies must also include long-term monitoring and mitigation in the financial assurance instruments. This substantial cost affects the economic viability of a project, but is necessary to protect the public, and General Moly supports the concept. That is, if a company goes out of business prematurely and is unable to conduct reclamation, funds should be available so that the public does not bear the cost of reclamation.

Recently however, EPA has proposed a duplicate reclamation bonding program under Section 108 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA). This duplication unnecessarily decreases the economic viability of mining operations. Additionally, the processing and review of the associated cost estimate and the approval process would undoubtedly further extend the permitting timeline. Development of this program should be stopped as it would not provide further protection to the public but would increase the cost and bureaucratic delay associated with permitting.

Summary

The mining industry provides substantial benefits to our country and to the communities in which it operates. These benefits include jobs, taxes, community development, strategic mineral supply, and economic growth. To maintain the nation's ability to compete globally, ensure we have a domestic supply of critical minerals, provide jobs and grow our economy, we need to remove unnecessary burdens to the mining industry.