LOTSIXTEEN

Committee: Senate Armed Services Committee
Event: To receive testimony on rebuilding American critical minerals supply chains
Date: February 24, 2026

Executive Summary:

Both Republicans and Democrats on the Senate Armed Services Committee (SASC) questioned the witnesses about the Department of Defense's (DoD) approach to recent critical minerals equity deals, with most questioning focusing on the deal with MP Materials. Many Senators expressed skepticism about whether the federal government should be leveraging these authorities, with some Democrats questioning the legality of these actions. However, members on both sides of the aisle agreed that swift action is needed to combat China's supply chain dominance, with some Senators expressing support for the Trump Administration's whole-of-government approach to domestic critical minerals production and recent agreements with our allies.

Member Opening Statements:

Chair Roger Wicker (R-MS): Wicker argued that our reliance on Chinese-produced critical minerals represents one of our "greatest strategic vulnerabilities." He discussed China's previous export bans on rare earth elements, noting the destructive impact bans would have on U.S. preparedness. He highlighted that the U.S. currently procures 70 percent of our rare earth elements from China, noting their importance for permanent magnets, phones, and other defense systems. He also stated that more than 60 percent of American antimony comes from China. He contended that the scale of China's critical minerals dominance is unparalleled and presents a serious national security threat. He expressed support for efforts to increase domestic production of critical minerals, noting that it would take more than a decade for the U.S. to fully become competitive in mineral supply chain efforts. He emphasized the Pentagon's central role in coordinating a whole-of-government approach to supporting domestic mineral supply chains, and he highlighted how the Pentagon is leveraging data-based approaches to invest in domestic mineral development, leveraging the Industrial Base Fund (IBF), the National Defense Stockpile (NDS), and other tools available to the Office of Strategic Capital (OSC). He highlighted OSC's investments in MP Materials, Vulcan and ReElement, and ElementUSA, as well as recent mineral trade agreements leveraged with our allies. He shared that he has worked with the Ranking Member previously to decide how equity-based investments can operate, and stated his intent to continue working on defining this power in a bipartisan manner. He concluded by emphasizing the need for increased transparency, communication, and partnership in the deliberation over these deals.

Ranking Member Jack Reed (D-RI)[1]*:* Reed overviewed China's dominance in terms of the processing and refining of critical minerals, highlighting that Congress has worked to combat this reliance and support domestic development via the *National Defense Authorization Act* (NDAA). He said the U.S. is lacking a durable, federal strategy that aligns the Departments of Commerce (DOC), Energy (DOE), the Interior (DOI), and DoD, as well as our allies, around a common mineral framework. He expressed concern regarding the DoD's recent use of equity investments under the *Defense Production Act* (DPA). He questioned the legal basis and financial terms of these deals, especially considering that the Trump Administration's Office of Management and Budget has requested Congress produce a legislative fix to explicitly authorize federal equity investments. He specifically criticized the MP Materials deal, noting this investment has widespread market effects, and he expressed concern about potential conflicts of interest in these deals.

Witness Testimony:

Honorable Michael P. Cadenazzi, Jr., Assistant Secretary of Defense for Industrial Base Policy (IBP): Cadenazzi argued that DoD's strategy and actions to secure a resilient critical mineral supply chain are fundamental to our national security interests. He noted that the majority of the U.S. defense industry relies on overseas supply chains for rare earth elements and minerals, specifically calling out gallium, antimony, and germanium. He noted that China, who currently controls 95 percent of global output of rare earth elements, is our primary strategic competitor. He classified this as a "clear and present danger to our national security," and he argued that Congress must recognize the need for durable, quick action to rebuild American critical mineral supply chains. He stated that to date, DoD has invested $975 million in minerals through Title III of DPA and the IBF. He defended DoD's use of congressionally-approved authorities to rebuild domestic mineral supply chains, highlighting the *One Big Beautiful Bill Act's* (OBBBA) $5 billion for critical minerals. He noted that IBP has partnered with OSC to expand investment options for domestic mineral development, arguing that both inter- and intra-agency collaboration is needed to support the entire value chain. He specifically noted that the Korea Zinc deal will increase durable production of antimony, and he emphasized the importance of building robust, transparent supply chains with U.S. allies and partners. Cadenazzi also highlighted research and development (R&D) efforts to create innovative processes to mine new resources and to support advanced recycling technologies, which he says DARPA is working to support. Lastly, he noted that DoD is modernizing the NDS, authorized via the OBBBA.

Jeffrey Frankston, Acting Deputy Assistant Secretary of Defense for Industrial Base Resilience: Frankston emphasized that the modernization of the NDS represents a key opportunity to directly build domestic resilience and protect our national security interests. He noted that DoD is working with other federal agencies on a nearly "hourly basis" to identify areas of importance for mineral supply chains.

Key Takeaways

[1] Written testimony for both Chair Wicker and Ranking Member Reed was not available at the time of distribution.

- Chair Wicker asked the witnesses to detail how the U.S. became so reliant on Chinese critical mineral and rare earth element supply chains. Cadenazzi argued that China has engaged in malign, adversarial efforts to maintain control of these supply chains through market manipulation and other economic incentives, undercutting U.S. efforts to sustain reliable supply chains.
- On DoD's recent equity deals, Chair Wicker asked Cadenazzi to defend this approach as the best means to secure critical mineral and rare earth element supply chains.
    - Cadenazzi argued that equity is a catalyst for private investment and a "more aggressive way of reconciling what has been a failed market-based approach to address this national security need." He claimed that the U.S. government has already tried using other approaches, such as tax credits, small loans, and grant opportunities.
    - Wicker asked about the timing of these previous attempts to support domestic supply chain development – Cadenazzi argued that the federal government has been consistently trying these less-aggressive approaches over the past 10-15 years, and that it has not yielded the outcomes the government has hoped for.
    - Wicker posited that if conflict between the U.S. and China had erupted over the past couple of years, the U.S. defense industrial base (DIB) would have been significantly harmed. Cadenazzi agreed.
- Ranking Member Reed specifically discussed the terms of the MP Materials deal, noting the government took both an equity stake and implemented a 10-year price floor, and argued that industry leaders have said this deal puts competitors at a strong disadvantage. Ranking Member Reed asked Cadenazzi how other domestic producers can remain competitive when DoD invests so heavily in one company, especially when the government is providing them with strong guarantees like price floors.
    - Cadenazzi argued that the terms of the MP Materials deal were necessary to immediately stimulate rare earths investment and demand. He noted that the government has been invested in MP Materials for the past 15 years, and he argued that this agreement is intended to increase public transparency, confidence, and stimulate investment.
- Reed noted that MP Materials' mines rely on unknown, third-party sources of input. Cadenazzi was not able to disclose the specific country these sources are currently from, but stated they are talking to companies located in both Brazil and Saudi Arabia to replace these adversarial streams.
- Reed asked for the term sheets for the MP Materials deal; Cadenazzi said the terms are in the process of being approved for internal distribution by DoD.
- Reed questioned what measures China could potentially look to adopt to maintain their mineral supply chain dominance; Cadenazzi argued that preferential trade zones will combat continued reliance on Chinese mineral products, even if Chinese prices are further lowered, because these trade zones have been created collaboratively and are shared with countries who have similar concerns about Chinese supply chain monopolization.
- Reed asked if Cadenazzi believes that the MP Materials deal complies with the *Antideficiency Act*; Cadenazzi noted that compliance has been assessed by the DoD's Office of the General Counsel.

- Sen. **Dan Sullivan** (R-AK) argued that China's critical mineral supply chain dominance was exacerbated by domestic policies that discouraged U.S. development. He highlighted Alaska's resource potential, arguing that Democrats have advocated for policies that harm our supply chain readiness and economic resilience. He highlighted the Biden Administration's actions to stop development in the Ambler Mining District, and he contended that the far left has prevented Alaska from producing resources that the country needs.
    - Sullivan noted that the Senate Environment & Public Works Committee is also working on permitting reform; he asked Cadenazzi to discuss the importance of reforming the *National Environmental Policy Act* (NEPA) as a means to increase domestic critical mineral production. Cadenazzi agreed that NEPA reform would support IBP's goals.
        - In response to Sullivan's comments about Democrats stifling previous attempts to pass bipartisan permitting reform legislation, Sen. **Tim Kaine** (D-VA) argued that President **Donald Trump's** decision to "wage war" on renewable energy, specifically against offshore wind projects, have caused all permitting reform efforts to grind to a halt. Kaine argued that all-of-the-above should mean all energy sources.
    - Sullivan expressed his intent to submit questions for the record regarding DoD's recent investments in Alaskan mining projects.
- Sen. **Jeanne Shaheen** (D-NH) asked whether IBP is focusing on prioritizing mineral extraction or processing when deciding which projects receive equity investments, as well as what criteria IBP uses when determining the terms of a deal.
    - Cadenazzi discussed the internal due diligence process, noting that their Global Investment and Economic Security Team does a full counterintelligence analysis coupled with an external market analysis to understand a project's specific production rates. He also shared that IBP will then add in additional experts internal to the government to determine whether a project could meet the our targets and overall supply chain goals. He argued that these factors all contribute to the development of a reasonable market analysis DoD uses to determine what levels of debt, equity, and other monetary factors can be leveraged to support DoD's agreements with private companies.
    - In terms of extraction and processing, Cadenazzi emphasized DoD's intent to support a whole-of-supply-chain portfolio.
- Shaheen clarified that China's processing power is a particular issue for American supply chain resiliency; Frankston noted that DoD has developed full supply chain maps for each critical mineral DoD intends to look at, identifying specific areas of control that China has over each supply chain. He emphasized that the area of Chinese dominance is not always consistent across mineral supply chains, but shared that DoD's approach is to make sure that investments support the overall supply chain versus using targeted, isolated investments in a particular stage of the process.
    - Shaheen asked if we are currently investing in any processing capabilities; both Frankston and Cadenazzi confirmed, noting that their teams shared a copy of antimony value chains with all SASC members to exemplify the type of analysis DoD is conducting.

- Kaine discussed a recent visit he took to Australia for AUKUS, noting that Australia produces over half of the world's lithium. However, he noted that Australia has previously relied heavily on China to refine lithium. He asked Cadenazzi what specific steps DoD is taking to ensure that Australia has the capability to quickly scale, refine, and separate lithium from other mineral byproducts without reliance on China.
    - Cadenazzi contended that lithium is not a high priority mineral product, as it is not on DoD's critical materials list. He emphasized that DoD believes that the U.S. currently has access to adequate supplies of lithium from both domestic and international sources, which has allowed them to prioritize other minerals of interest ahead of lithium.
- Kaine noted that the general issue of refining capacity is an area of concern. He asked Cadenazzi what DoD is doing to focus on the refining issue as a component of mineral issues of interest. Frankston noted that they are working on a number of deals with Australia currently to increase separation and refining capacity.
- Sen. **Mark Kelly** (D-AZ) questioned the witnesses about semiconductor supply chains for the DIB, noting that chip access is critical for modern defense systems. Cadenazzi agreed that this is an issue of interest for DoD, arguing that the certification cost for the systems used to produce these chips tend to be cost-prohibitive for current weapons systems manufacturers.
- Sen. **Mazie Hirono** (D-HI) expressed her opposition to the Administration's efforts to overhaul the Boundary Waters mining ban in Minnesota.
    - Hirono questioned whether the DPA grants authorities to the government to leverage equity shares. Should this authority be questioned by the judicial system, she expressed concern that these equity deals would not hold.
- Hirono expressed interest in efforts to promote critical minerals recycling for end-of-life technologies.
- Sen. **Jim Banks** (R-IN) asked Cadenazzi if there are additional authorities IBP needs as SASC prepares to enter the FY27 NDAA season. Cadenazzi expressed interest in continuing to discuss the benefits of equity-specific language, which he noted was also discussed under the FY26 NDAA.
- Sen. **Elizabeth Warren** (D-MA) argued that defense contractors are consistently costing taxpayers billions often due to production delays and poor performance.