

ISSUE BRIEF :

Financing

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Essential Questions

How should mineral development be financed from ground to market? What can governments do to attract investment? Considering the political and capital risks, how can investors be incentivized to finance mineral development? What valid investor concerns should be addressed with the adoption of best practices and new innovations/technologies?

Key Findings

- Government funds/grants can help develop the base infrastructure and initial assessments needed to attract more substantial financing from industry.
- Projects must have the social license from communities to proceed with development. Financiers must interact with and seek input from communities from the outset of projects.
- A wider range of industry, including oil and gas companies, should consider financing mining projects—especially in the larger context of decarbonization efforts.

Policy Recommendations

- The government can provide initial funding for the base infrastructure (such as power lines, ports, and road/rail networks) so that further development by corporations is more feasible.
- The government can provide revenue certainty for exploratory projects for certain minerals, which would incentivize developers to focus their efforts on high-priority minerals.
- The US Geological Survey should be supported to conduct subsurface drilling for research and assessment purposes.
- The government should give preference to North American developers.
- The US Department of Defense and the Department of Energy should identify strategic, high-priority minerals and provide financial support for the mapping of these minerals.

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Focus Group Synopsis

Three main themes arose during the Financing focus group: how governments can spur follow-on financing; the need for companies and projects to earn social license, and; how to attract financing to mining projects in the North American Arctic.

Government funding can serve multiple purposes, including avoiding supply chain strangulation and developing base infrastructure. By building base infrastructure (power lines, ports, and road/rail networks, for example), mining opportunities may open in remote areas previously unfeasible for development. Governments can also implement grants to encourage exploration; even modest funding could create or revitalize support for mineral resources. Additionally, adding revenue certainty to investments would de-risk them, which can be especially effective at building a tier of moderately-successful projects—rather than the boom/bust situation that currently exists. In the U.S., the Department of Defense and Department of Energy in particular could potentially fund studies in this regard.

Mining projects must also consider how financing can benefit the communities in which these projects exist. An array of financial schemes—such as providing tax credits for Indigenous-owned projects and otherwise encouraging royalty agreements, and equity stakes—can bring essential financing to these communities. While investors are now more attune to Environmental, Social, and Governance considerations, this often leads to financing of green projects—which, considering many Indigenous projects involve fossil fuels, leaves communities still in need of funding. With increased focus on bringing tangible financial benefit to communities, investors should earn the social license to properly develop projects in the North American Arctic.

A series of solutions were presented regarding how to attract funding for projects. Addressing the valuation gap between the value created by mining projects and their perceived worth would be a critical step; another would be strategic direction from the government, as well as building support for mapping mineral sources. Beyond mining companies, oil and gas companies could fund mining projects—especially in the context of decarbonization efforts; this would align with sustainability goals from environmentally conscious investors, in the broader transition to greener energy sources. Potential projects could also market themselves for foreign investment, which makes imperative the need to spur domestic funding.

Participants noted the need for additional funding to conduct critical geological research to identify mineral resources.

This brief draws from discussions at a July 2023 conference on Arctic mineral development, hosted by the Wilson Center, University of Alaska, the U.S. Department of Energy's Arctic Energy Office, and RAND Corporation. These findings are from the Financing focus group, as well as related points discussed during five other focus groups focused on Community Ownership, Infrastructure, Workforce Development, Supply Chains, and Regulatory Frameworks.

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