

ALLIANCE POLITICS, COMMERCIAL ASYMMETRIES: RARE EARTH SUPPLY CHAINS AND THE US-AUSTRALIA CRITICAL MINERALS FRAMEWORK

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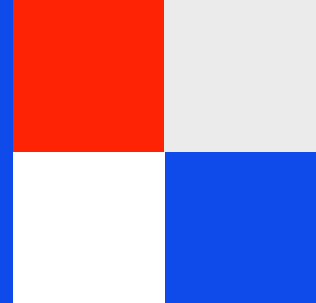
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Abbreviations

Abbreviations are expanded at first substantive use in each Section; this consolidated list is provided for reference.

Abbreviation	Meaning
ABS	Australian Bureau of Statistics
AHECC	Australian Harmonized Export Commodity Classification
AI	artificial intelligence
ANSTO	Australian Nuclear Science and Technology Organisation
ASEAN	Association of Southeast Asian Nations
ASX	Australian Securities Exchange
AUKUS	Australia-United Kingdom-United States security partnership
BBSY	Bank Bill Swap Bid Rate
CEDA	Committee for Economic Development of Australia
CEFC	Clean Energy Finance Corporation
CFR	Code of Federal Regulations (United States)
CIRR	Commercial Interest Reference Rate
CMF	Critical Minerals Facility
CMPTI	Critical Minerals Production Tax Incentive
CMSR	Critical Minerals Strategic Reserve
CSIS	Center for Strategic and International Studies
DEED	Western Australian Department of Energy and Economic Diversification
DFARS	Defense Federal Acquisition Regulation Supplement
DFC	US International Development Finance Corporation
DoD	US Department of Defense
DOE	US Department of Energy
DPA	Defense Production Act
DPAS	Defense Priorities and Allocations System
DSGL	Defence and Strategic Goods List
EFA	Export Finance Australia
EPCM	engineering, procurement and construction management

Abbreviation	Meaning
ETM	Energy Transition Minerals
EU	European Union
EXIM	Export-Import Bank of the United States
FATA	Foreign Acquisitions and Takeovers Act 1975 (Australia)
FEOC	foreign entity of concern
FID	final investment decision
FIRB	Foreign Investment Review Board
FTA	free trade agreement
G7	Group of Seven
GATT	General Agreement on Tariffs and Trade
HRE	heavy rare earths
IEA	International Energy Agency
IRA	Inflation Reduction Act of 2022 (United States)
IRS	US Internal Revenue Service
ISA	International Seabed Authority
ISO	International Organization for Standardization
JARE	Japan Australia Rare Earths B.V.
JOGMEC	Japan Organization for Metals and Energy Security
KEXIM	Export-Import Bank of Korea
KfW	Kreditanstalt für Wiederaufbau (German development bank)
LOI	letter of interest
MoU	memorandum of understanding
MSP	Minerals Security Partnership
NAIF	Northern Australia Infrastructure Facility
NdFeB	neodymium-iron-boron
NdPr	neodymium-praseodymium mixed oxide
NRF	National Reconstruction Fund
NRFC	National Reconstruction Fund Corporation
OECD	Organisation for Economic Co-operation and Development
OEM	original equipment manufacturer
OSC	Office of Strategic Capital, US Department of Defense
PRC	People's Republic of China
REO	rare earth oxide

Abbreviation	Meaning
SCRI	Supply Chain Resiliency Initiative, US EXIM
SEC	US Securities and Exchange Commission
SmCo	samarium-cobalt
SOSA	Security of Supply Arrangement
tpa	tonnes per annum
TREO	total rare earth oxide content
TUFF	Tracking Underreported Financial Flows
TWh	terawatt-hours
USGS	United States Geological Survey
WTO	World Trade Organization



Executive Summary

The October 2025 US-Australia Critical Minerals Framework matters because it begins to turn alliance intent into practical instruments: finance, purchase commitments, price support, stockpiles and project selection. Rare earths are its central focus.

Rare earths are used in small quantities in electric vehicles, wind turbines, robotics, electronics and defence equipment. But these industries depend on them. China dominates the processing of rare earths and the manufacture of magnets, so a disruption to a relatively small amount of material can interrupt much larger industries.

The US and Australia have different but complementary problems. The US has a supply problem: it needs reliable access to critical minerals outside China. Australia has a demand and capability problem: it has resources but lacks the domestic market, processing ecosystem and downstream customers needed to sustain a complete rare earth industry.

This report answers a simple but important question:

Will closer cooperation with the US help Australia develop lasting industrial skills and production capabilities, or will it remain mainly a supplier of raw and partly processed materials?

What the report finds

A more secure supply chain does not necessarily mean a stronger Australian industry. Australia will gain lasting benefits only if it secures dependable customers, shares financial risks with partners and develops its own processing expertise and industrial capabilities.

■ **Projects are advancing, but announcements are not the same as delivery**

The framework has progressed beyond statements of intent. Lynas, Nolans, Eneabba, Browns Range and the proposed Wagerup gallium facility have attracted government finance, customer commitments or strategic interest. Australia's Critical Minerals Strategic Reserve could also coordinate purchases and help protect selected projects when prices fall sharply.

However, political backing alone cannot fund a multibillion-dollar project. Companies need reliable future revenue. Announcements, memoranda and letters of interest can improve confidence, but they are not equivalent to approved finance or contracts that require buyers to purchase material.

Box ES1. **Announced support is not delivered support**

Policy announcement signals a government priority but creates little project-level obligation.

Memorandum of understanding establishes an intention to cooperate but guarantees neither finance nor purchases.

Letter of interest shows that an agency is prepared to assess a transaction; it is not an approved loan.

Conditional agreement creates obligations only after specified conditions are met.

Approved finance or binding offtake provides the strongest basis for construction and revenue planning.

■ **Secure supply does not guarantee Australian capability**

The US and Australia agree on the need to diversify away from China. But they have not settled where the new jobs, technology and profits will be created.

Australia could make a US-led supply chain more secure while still missing its most valuable stages. Mining, separation and refining may take place in Australia, while metals, alloys, magnets and customer relationships are developed elsewhere.

Australia also bears substantial costs, including finance, infrastructure, environmental approvals, waste management and possible friction in its relationship with China. Agreements must therefore spell out where technology, skilled jobs and manufacturing will be located, project by project.

■ **A security premium becomes real only when contracts allocate risk**

Producing rare earths outside China generally costs more. Labour, energy, approvals and waste treatment are more expensive, and new projects lack the scale, supplier networks, expertise and customers built up over decades in China.

Governments may be willing to pay more to reduce dependence on one supplier. But that willingness helps a project only when it is set out in a contract.

The strongest agreements guarantee a minimum price, commit the buyer to a set quantity and last long enough to help the producer secure finance. They shift part of the risk of weak prices or low demand from the producer to a customer or government.

Box ES2.

What makes an order bankable

Minimum price protects revenue when market prices fall.

Firm quantity specifies how much the customer must purchase.

Take-or-pay requires payment for an agreed share of volume even if the customer does not take delivery.

Long duration provides revenue visibility across construction, commissioning and early debt repayment.

The agreement must transfer a meaningful share of price or volume risk away from the producer.

■ **Replacing Chinese capital means replacing an industrial system**

Chinese investment in mineral projects has often come with loans, long-term purchase commitments, access to processing facilities, technical support and connections to manufacturers.

The US and its partners tend to provide these services through different government agencies and companies. Developers must bring funding, technology, customer contracts and price protection together into a package strong enough to attract investment.

Australia therefore needs government support and customers across several countries. Swapping dependence on China for dependence on a single US market would create another risk rather than genuine resilience.

■ **Decoupling is layered rather than complete**

No single rule applies to every business relationship with China. Different regimes examine ownership and control, technology and intellectual property, material origin, customer concentration, the destination of output and whether a product is intended for civilian or defence use.

US defence procurement, US government finance rules and Australia's foreign investment regime each apply different tests. This produces selective restrictions rather than a complete break in economic ties.

The strictest controls apply to defence, sensitive technologies and strategically important processing. Ordinary commercial relationships may continue where Chinese involvement is transparent, does not confer control, is not exclusive and could be replaced if necessary.

The goal should not be to end every Chinese connection. It should be to identify which dependencies create unacceptable risks of outside control or supply disruption.

■ **Australia must also prepare for changes in US policy**

Rare earth projects take years to build and repay. They will operate through several US administrations.

US support is valuable, but it should not be treated as permanent. Policy priorities, subsidies and procurement decisions can change. Many US arrangements involving Australian projects also last for less time than the mines and refineries they are intended to support.

US defence demand can make projects more credible and provide some price support, but defence demand alone cannot sustain an entire Australian rare earth industry. Australia needs commercial buyers in Japan, South Korea, Europe and other markets as well.

A multinational buyers' consortium could combine demand, share the cost of price protection and reduce dependence on any one government or customer.

■ **Judge progress by results, not announcements**

The framework should not be judged mainly by the value of announced finance or the volume of minerals shipped to an ally.

Instead, its success should be measured by whether Australia develops:

- commercially viable mining and processing projects;
- reliable and diversified customers;
- processing expertise and technical skills;
- products that have passed customer qualification;
- skilled employment; and
- the ability to choose among markets.

What Australia should do

Australia should apply two sets of rules within one global market. One, stricter rules for defence and other sensitive uses, and two, more flexible rules for ordinary commercial products. This would reduce dangerous dependencies without trying to cut all economic ties with China.

1. Protect supplies for defence and other sensitive uses

The high security category should cover defence, sensitive technologies and critical infrastructure. It would require trustworthy owners and financiers, records that trace materials through production, approved suppliers, emergency reserves and priority access during a crisis.

The government should clarify which investment and business relationships are allowed, restricted or prohibited. If a security rule forces a project to give up funding, technology or customers, policymakers should help identify workable alternatives at the same time.

2. Keep civilian markets diverse

The commercial category should cover electric vehicles, renewable energy and other civilian manufacturing. Here affordability, scale and diversified demand matter more.

Australia should not apply defence-level restrictions to every critical minerals transaction. Chinese firms could remain involved if their participation is transparent, does not give them control and can be replaced. Civilian industries, including clean energy manufacturing, should be able to sell into a range of markets.

The two categories need not use entirely separate facilities. They could share mines, refineries, infrastructure, workers and suppliers, with tighter rules for sensitive products on where materials come from, how they are tracked and who buys them.

3. Use access to minerals to secure lasting Australian expertise

Australia's mineral resources and government funding give it bargaining power. In exchange, it should seek enforceable commitments to long-term purchases, minimum prices or take-or-pay terms, technical knowledge sharing, selected manufacturing activity in Australia, workforce training, customer approval and access to overseas manufacturers.

Australia does not need to recreate every part of China's rare earth industry. It should focus on the capabilities that are strategically important, commercially viable and difficult to replace.

Box ES3.

One market, two sets of rules

High-security track: Defence and sensitive technologies; trusted capital, full traceability, qualified suppliers and reserved supply.

Commercial track: Clean energy and civilian manufacturing; competitive prices, diversified customers and managed cooperation.

Shared Australian foundation: Mines, processing plants, infrastructure, workers, testing facilities and technical knowledge.

Making the approach work

Australia's federal, state and territory governments have different but linked responsibilities. The Commonwealth oversees national security, foreign investment screening, international agreements and major financing programmes. States and territories oversee land, infrastructure, energy, approvals, employment and regional development.

These decisions need to be coordinated. If one government rules out a source of finance or a customer before another can help provide a replacement, the project and its local community may bear the cost.

The aim is for secure supply chains to make Australia more capable and less dependent, not simply dependent on a different country.



Introduction

Australia's critical minerals endowment gives it a substantial stake in the reorganisation of global supply chains. Rare earths and other specialised materials are essential to technologies whose economic and strategic value far exceeds that of the minerals themselves. The main vulnerability is not simply where minerals are mined. China also dominates the processes that turn them into refined materials, metals, alloys and magnets. Growing demand for reliable supply outside China gives Australia an opportunity to develop processing expertise, create jobs and build lasting relationships with downstream customers.

But mineral deposits alone do not create a viable industry. Mines and refineries need customers willing to commit to purchases before production begins. Customers, in turn, need confidence in cost, quality and reliable delivery. Government finance, long-term supply contracts (known as offtake agreements) and minimum price guarantees can help. Australia also needs technology, infrastructure, trained workers, products approved by customers and enough demand from civilian industries. Shifting from dependence on Chinese buyers to dependence on a single allied market would simply replace one vulnerability with another.

This report examines whether the US-Australia Critical Minerals Framework can address these challenges, and who stands to gain. The US seeks secure inputs for defence and advanced manufacturing; Australia seeks sustained demand and a stronger position in the value chain. The two countries must therefore negotiate where production takes place, who carries financial risks and who controls technical expertise. This report proposes strict safeguards for materials used in defence and other sensitive industries, while allowing more diverse trading relationships for lower-risk civilian products.

The central question is whether efforts to secure supply will also build a lasting industry in Australia.

The analysis draws on interviews, roundtables and public discussions involving 34 participants from industry, universities, think tanks, government and public institutions. It also uses bilateral agreements, Australian and US laws and guidance, company reports and announcements, official statistics, international datasets and specialist reporting. Throughout, the report distinguishes political announcements and preliminary expressions of support from binding contracts, approved finance and money actually provided.

Section 1 identifies the asymmetric bargain created by complementary US and Australian vulnerabilities. Section 2 traces the shift from World Trade Organization disputes over border restrictions to competing supply chain systems. Sections 3 and 4 examine prices, purchase agreements and government finance; Sections 5 and 6 consider rules governing Chinese participation and propose a two-track approach for defence and civilian uses. Section 7 examines the risk of changes in US policy. Section 8 presents conclusions and recommendations.



The Paradox of the US-Australia Critical Minerals Framework and the Asymmetric Bargain

Section 1 at a glance

The October 2025 US–Australia Critical Minerals Framework joins two different vulnerabilities. The US needs secure inputs outside Chinese control; Australia needs bankable demand, finance, technology and downstream capability. Cooperation is therefore real, but its gains are not automatic or necessarily equal. The central Australian policy test is whether access to resources is converted into enforceable offtake and domestic industrial capability, or merely into another upstream role in a supply chain whose highest-value stages remain offshore.

1.1 A partnership built on complementary vulnerabilities

The US–Australia Critical Minerals Framework, signed in October 2025, moved bilateral cooperation beyond general statements towards coordinated investment, purchase agreements and price support. Australia’s Critical Minerals Strategic Reserve (CMSR) also gave the government a more active role in purchasing, financing and sharing risks. These initiatives offer opportunities, but they leave a central question unanswered: what does each country want from the partnership, and where will the jobs, technology and profits end up?

The framework is a negotiation over which country performs which parts of the supply chain. The US needs reliable, traceable supplies of rare earths and other critical materials outside Chinese control. Australia has mineral resources, but a small domestic market, limited processing capability and too few long-term customers. The needs complement one another, but US investment and customer demand are easier to move than Australia’s mineral deposits. The two countries also place different values on each stage of production.

Figure 1. Complementary vulnerabilities and the asymmetric bargain

 UNITED STATES	 AUSTRALIA
Supply-side vulnerability Insufficient secure supply chains outside Chinese control	Demand-side vulnerability Resources without sufficient downstream demand or processing depth
Primary objective Secure, traceable inputs for manufacturing and defence qualification	Primary objective Convert mineral access into offtake, price protection, technology and capability
Bargaining asset Capital, procurement and downstream demand	Bargaining asset Resources, location and allied reliability
Preferred outcome A dependable allied feedstock for the US industrial base	Preferred outcome A larger domestic share of processing, knowledge and industrial value

The countries’ goals overlap, but they are not identical. Washington wants its manufacturers and defence industry to receive reliable supplies. Canberra wants long-term processing activity, expertise, jobs and customers in Australia. This does not mean the framework has failed. It defines what the partnership must negotiate.

1.1.1 Why rare earths matter

Critical minerals are sometimes described as the ‘new oil’, but this comparison is misleading. Oil is a bulk, relatively homogeneous fuel; critical minerals comprise materials with very different functions and markets, often used in minute quantities within systems of immense value. Their importance lies in how difficult they can be to replace, because a shortage of one small input can halt production across a much larger industry. Rare earths are therefore small but essential components of modern manufacturing.

Risk is highest when a material is indispensable, supply is concentrated and substitutes cannot be qualified quickly. Magnet rare earths – notably neodymium, praseodymium, dysprosium and terbium – meet all three tests. Global rare earth mine production was about 390,000 tonnes in 2025, of which China produced approximately 270,000 tonnes, or nearly 69 percent.¹ The sharper bottlenecks lie downstream: in 2024 China accounted for about 60 percent of mined magnet rare earths, 91 percent of refined and separated output, and 94 percent of sintered permanent-magnet production.² Australia may possess ore, but commercial independence also requires separation, metal and alloy production, magnet manufacture and customer testing and approval.

Box 1A.

Not all rare earths carry the same strategic risk

Rare earths are not a single commodity market. Neodymium and praseodymium are principal inputs into neodymium-iron-boron magnets; dysprosium and terbium improve high-temperature performance; samarium matters in specialised samarium-cobalt magnets. Other rare earths serve as catalysts, polishing powders, phosphors, alloys and medical uses, but their market structures and substitution risks differ.

Policy should therefore be calibrated to particular elements, processing stages and end uses. The relevant questions are whether the material is indispensable, whether separation or magnet capacity is concentrated, how quickly substitutes can be qualified, and whether the product meets civilian or defence specifications.

1.1.2 The US objective: secure inputs for a defence-industrial system

Washington treats heavy rare earths, gallium, germanium, antimony and graphite as inputs into defence and advanced manufacturing. Its policy therefore prioritises traceability, exclusion of restricted-country content and rapid availability to the US industrial base. The bilateral framework supports projects in both countries and supply to buyers in both markets, while expressly creating no enforceable domestic or international legal obligations.³

US policy does not require every stage of production to be located in the US. The Export-Import Bank of the US (EXIM) can finance overseas supply projects. Defence procurement treats Australia as a qualifying country under the Defense Federal Acquisition Regulation Supplement (DFARS),⁴ and the restricted-country rules that tighten from 2027 do not include Australia.⁵ A July 2026 executive order also preserves procurement from foreign projects supported by EXIM and the US International Development Finance Corporation while requiring contractors to map full supply chains.⁶ Allied production is therefore acceptable, but contract terms decide which stages occur where.

Syerston illustrates that distinction. The US Department of Defense offered a US\$400 million conditional loan, retained a right of first offer over output and linked the Australian mine to US conversion into metal and additive manufacturing.⁷ The Wagerup gallium project shows that Washington will also support high-purity refining in Australia when it fills an urgent allied gap; the Western Australian refinery, backed by Australia, Japan and the US, reached final investment decision in July 2026.⁸

Rare earth oxide production has received similar, though selective, support. Arafura’s integrated Nolans project received a non-binding EXIM financing indication of up to US\$300 million,⁹ but its final investment decision also required Australian government equity, substantial debt and strategic reserve support.^{10,11} Lynas provides still clearer evidence that the US will buy separated oxides from allied facilities: in 2026 funding originally intended for a Texas heavy rare earth plant was redirected to a four-year purchase arrangement for light and heavy rare earth oxides from existing Lynas operations, with a neodymium-praseodymium (NdPr) price floor of US\$110/kg.¹²

The preference for domestic US capacity is strongest in metals, alloys and permanent magnets. Defence grants to firms such as E-VAC explicitly support a US mine-to-magnet chain.¹³ No comparable US-funded, commercial-scale permanent-magnet factory has yet emerged in Australia. As such, the accurate conclusion is narrower than ‘Australia supplies ore’: Washington accepts allied separation and refining where these can close immediate gaps, while strongly favouring US metallisation, magnet manufacture and defence qualification.

1.1.3 The Australian objective: move beyond exporting minerals

Australia seeks more than market access. Federal and state policy increasingly defines success in terms of processing, refining, employment, infrastructure and technical capability. The large Critical Minerals Facility loan for Iluka’s Eneabba refinery illustrates this approach: refining is treated as national capability rather than an ordinary commercial investment. Arafura, Lynas and Northern Minerals sit within the same policy direction.

Yet the framework does not allocate value-chain stages between the partners. Australia bears approval costs, project-execution risk and substantial public commitments. The US gains diversified supply and protection for its industrial base. Unless finance is paired with durable offtake, price assurance, skills and technology, Australia can remain concentrated in mining and early-stage separation while metals, alloys, magnets and final customers are located elsewhere. The policy question is not whether Australia aligns with the US; it is whether Australia can use that alignment to become harder to replace.

Physical assets alone will not secure that position. Process knowledge accumulates through specialist education and repeated industrial production. A former executive at rare earth companies in North America illustrated the gap: ‘In China, I used to hire graduates out of the right universities and they’re immediately productive. Anywhere else I need to train them for three years.’ Australia’s bargaining objectives must therefore include workforce development and operating knowledge, not only ownership of mines and processing plants.



Iluka's rare earths refinery at Eneabba, August 2026. (Image credit: Iluka)

1.2 The commercial challenge: defence demands versus civilian markets

The parties ask different commercial questions. Washington asks how quickly a project can enter a supply chain independent of Chinese control. Australian companies ask who will buy, at what price and volume, for how long, and under what enforceable obligations. Australian governments must then ask whether public support creates durable capability or only secure exports.

Security policy can open a door but cannot repeal project economics. Orebody quality, recovery rates, energy and reagent costs, waste treatment, skills, the ability to sell by-products and customer qualification still determine competitiveness. A business plan based only on a permanent premium for excluding China is therefore fragile: policy may provide a floor or anchor customer, but civilian markets still determine scale.

Pentagon finance should not be confused with defence revenue. US magnet grants are designed to create domestic capacity,¹⁴ while Syerston's US\$400 million is a conditional loan rather than sales income; its right of first offer contains no disclosed minimum purchase volume.¹⁵ Lynas' US supply arrangement averaged roughly US\$24 million a year over four years – small relative to the company's annual sales – and served the broader US industrial base, including defence.¹⁶ Defence demand can help a project secure finance and protect it when prices fall, but it is too small to sustain the entire industry.

Civilian buyers will pay selectively. High-performance users facing costly disruption may sign long-term contracts or accept limited premiums; regulated defence users may pay more; mass market vehicles, wind and industrial customers remain highly price-sensitive. Arafura secured multiyear offtake before production, but its pricing includes discounts and other mechanisms designed to help projects secure finance.¹⁷ This is evidence of ability to attract financing, not of a universal non-China premium.

Policy announcements can nevertheless help a project raise capital. Northern Minerals completed an oversubscribed placement after receiving non-binding EXIM interest, while final investment decision remained outstanding.¹⁸ Arafura required Australian equity, debt, strategic reserve offtake, support from several sovereign institutions and civilian customers before reaching final investment decision.¹⁹ The hierarchy is therefore clear: political signals can raise visibility; letters of interest can attract investors; binding purchase agreements, price protection and closed financing make a project bankable.

The framework is still creating a market rather than governing a mature one. Governments are absorbing part of the price, financing and geopolitical risk while civilian demand develops and projects prove they can operate reliably. Public support can make strategically important projects financeable, but it cannot remove construction and operating risk.

1.2.1 Who captures the economic value?

Australia has moved from being an indirect beneficiary of US policy to an allied supplier eligible for direct finance and procurement. It has not yet secured an equal share of the value in metals, alloys, magnets and final manufacturing. The framework addresses supply security but leaves industrial value sharing to project-level negotiation.

The Critical Minerals Supply Security Response Group provides a venue to negotiate project selection, co-financing by Export Finance Australia and EXIM, links between Australia's reserve and US stockpiles, price-support mechanisms, permitting and recycling.²⁰ Australia's negotiating position also increasingly emphasises making more products where the minerals are located.²¹ Australia is not the only regional economy seeking to retain downstream value. An industry participant at a mining company in Malaysia expressed the same objective. They said, 'Because these rare earths are very special, we want to make sure we capture as far down as possible rather than just sell the raw material.'

Malaysia's position matters because it hosts major separation operations using Australian feedstock. Diversification from China therefore creates negotiations over industrial value not only between Australia and the US, but also among the regional economies performing different stages of the supply chain. The practical test is whether that aspiration becomes a contractual allocation of capability rather than a statement of intent.

An industry participant at a rare earth producer in Australia captured the commercial test: 'To have a vibrant rest-of-world rare earths market, the participants need to be successful, sustainable businesses and able to compete in a global market.' This requires coordinated investment not only in mines and separation, but also in magnet manufacturing, qualified downstream demand and long-term customer relationships.



Box 1B. Pledges are not committed finance

Headline amounts should be classified by legal and financial status. Letters of interest, indicative term sheets and conditional loans can improve credibility, but they are not cash already disbursed. Only formally authorised amounts should be reported as committed finance.

Tax eligibility also differs from project finance. The Section 45X production credit applies to eligible products manufactured in the US, while the former Section 30D clean-vehicle credit benefited US consumers and vehicle supply chains rather than Australian plants; the latter no longer applies to vehicles acquired after September 30 2025.^{22,23}

Australia's DFARS qualifying-country status permits Australian manufactured products to enter relevant US defence procurement channels, but eligibility is not a contract.²⁴ EXIM's Supply Chain Resiliency Initiative can finance overseas projects, but generally ties support to long-term US offtake, manufacturing in the US and financing proportional to US-bound volumes.²⁵

Australian public support therefore remains decisive. Nolans, for example, combined Australian equity, debt and strategic reserve offtake with international commitments.²⁶ The framework itself creates no automatic Australian entitlement to processing, intellectual property, technical personnel, jobs or tax revenue; those outcomes must be negotiated project by project.

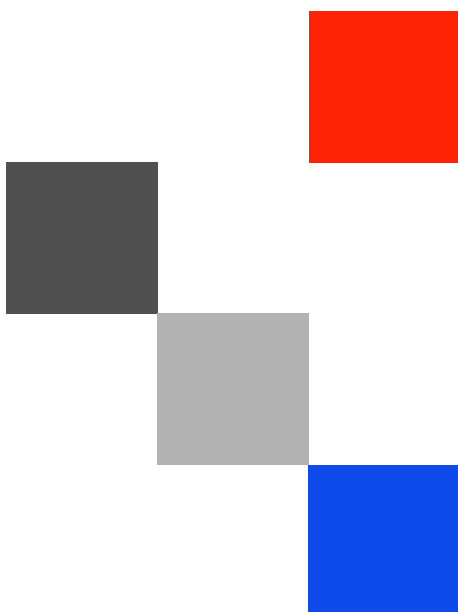
1.3 Implications for policymakers and businesses

For policymakers

- **Negotiate concrete outcomes, not slogans.** Link Australian support to measurable commitments for metals, alloys, magnets, skills, intellectual property and products approved by manufacturers.
- **Report finance by status.** Separate announcements, letters of interest, conditional commitments, authorisations, financial close and disbursement.
- **Preserve customer options.** US finance can narrow technology and buyer choices; Australian co-financing should retain diversified market access wherever security rules permit.
- **Fund the missing ecosystem.** Common-use infrastructure, approval capacity, workforce systems and testing facilities address cost barriers that foreign project finance does not.

For businesses

- **Plan for three groups of customers:** defence buyers willing to pay more for security; specialist manufacturers willing to sign long contracts; and mass market buyers who need prices close to Chinese supply.
- **Do not count political interest as sales revenue.** A letter, framework or conditional loan may boost confidence, but only binding purchase contracts and finalised finance give lenders a reliable basis for assessing cash flow.
- **Stress-test the value bargain.** Boards should know which party controls technology, customer access, priority rights and expansion decisions before accepting public support.



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2

From WTO Disputes to Competing Supply Chain Systems

Section 2 at a glance

Rare earth competition has moved from litigation over border measures to a contest between regulatory systems and state-backed industrial ecosystems. China replaced quotas and duties with domestic law, item-specific licensing, end-user review and whole chain traceability. The US and its partners responded by combining finance, price support, procurement rules and institutional coalitions. April 2025 marked an acceleration of this rivalry. The emerging outcome is one global market increasingly governed by two policy systems, still connected through prices, technology, intermediate materials and civilian demand.

2.1 From border restrictions to domestic control

China's earlier rare earth policy relied heavily on measures at the border. Export quotas and duties were tightened from the mid-2000s, prompting the US, the European Union (EU) and Japan to challenge restrictions on rare earths, tungsten and molybdenum. In August 2014 the World Trade Organization (WTO) Dispute Settlement Body adopted panel and Appellate Body reports finding that the measures breached China's obligations and were not justified under the claimed exceptions under the General Agreement on Tariffs and Trade (GATT).¹ China abolished the quotas and export duties in 2015.

The ruling changed China's policy tools, but not its strategic objective. China placed greater emphasis on consolidating its industry, managing production, enforcing environmental standards and tracking materials. Its advantage also came from three sources: reliable mineral supplies, years of experience in separation and magnet manufacturing, and closely linked networks of equipment suppliers, chemical producers, transport providers, financiers and customers.² Finding a new deposit elsewhere could not recreate these capabilities overnight.

The practical difference is significant. A quota directly limits exports and can be challenged under trade rules. A licensing system built into national security law examines individual transactions. It can take account of the product, buyer, destination and end use; speed up or delay approval; and cover technology, equipment or goods exported again from another country. That gives regulators more flexibility than the previous quota system.

2.1.1 A unified legal and administrative architecture

The Export Control Law, effective in December 2020, created a unified legal foundation for control lists, temporary controls, licensing, risk assessment, end-user and end-use management, and restrictions directed at particular countries, organisations or individuals.³ It gave the system a national-security rationale broader than the conservation and environmental arguments used in the WTO dispute.

The Dual-Use Items Export Control Regulations and a consolidated dual-use control list both took effect on 1 December 2024.^{4,5} Together they clarified licensing, end-user controls and rules for goods moving through or being re-exported from third countries. They also required exporters to act when they suspected that an unlisted item might have a sensitive end use. The rules did not prohibit every controlled transaction; they made the licence, and the information needed to obtain it, the main point of leverage.

Rare earth industrial regulation developed alongside export control. The Rare Earth Administration Regulations, effective October 2024, cover mining, smelting and separation, metal production, utilisation, product circulation and import-export activity. They require designated producers, total-quantity control, flow records and a traceability system.⁶ The 2025 interim measures strengthened total-quantity management and brought separation using imported feedstock under the same controls.⁷ Domestic production rules and export licensing are legally distinct, but together they give regulators visibility across much of the value chain.

2.2 Critical minerals as a test case

The new architecture was first tested on critical technology materials beyond rare earths. Controls on specified gallium- and germanium-related items were announced in July 2023 and required exporters to obtain licences and provide end-user and end-use documentation.⁸

A revised technology catalogue issued in December 2023 placed additional emphasis on restricted technology transfers.⁹

Rare earths moved to the centre of this system on 4 April 2025, when China imposed licensing requirements on seven groups of medium and heavy rare earth-related items: samarium, gadolinium, terbium, dysprosium, lutetium, scandium and yttrium, including specified metals, oxides, compounds, alloys and permanent-magnet materials.¹⁰ The measure was not a formal blanket embargo. Its effect nevertheless depended on licence timing, documentation, customer identity and end use; delays could interrupt production even where approval was ultimately possible.

In October 2025, additional announcements extended the contemplated controls to selected rare earth processing equipment and auxiliary materials, further rare earth items, certain foreign-produced items containing Chinese inputs or made with Chinese technology, and technology for mining, separation, metal production, magnet manufacture and recycling.¹¹ These measures showed an ambition to regulate not only material exports but also the means of replicating capability abroad. Yet implementation was adjustable: on November 7 2025, Announcements 55, 56, 57, 58, 61 and 62 were suspended until November 10 2026.¹²

The expansion and subsequent suspension show that export controls can be adjusted rather than imposed only as an irreversible ban. Country- and end-user-specific measures provide another layer. In January 2026 China prohibited exports of all dual-use items to Japanese military users and uses, as well as other end uses that would enhance Japanese military strength.¹³ That measure was broader than rare earths, but it illustrates how the same legal architecture can be used to pursue foreign-policy goals.

2.2.1 April 2025 as an acceleration point

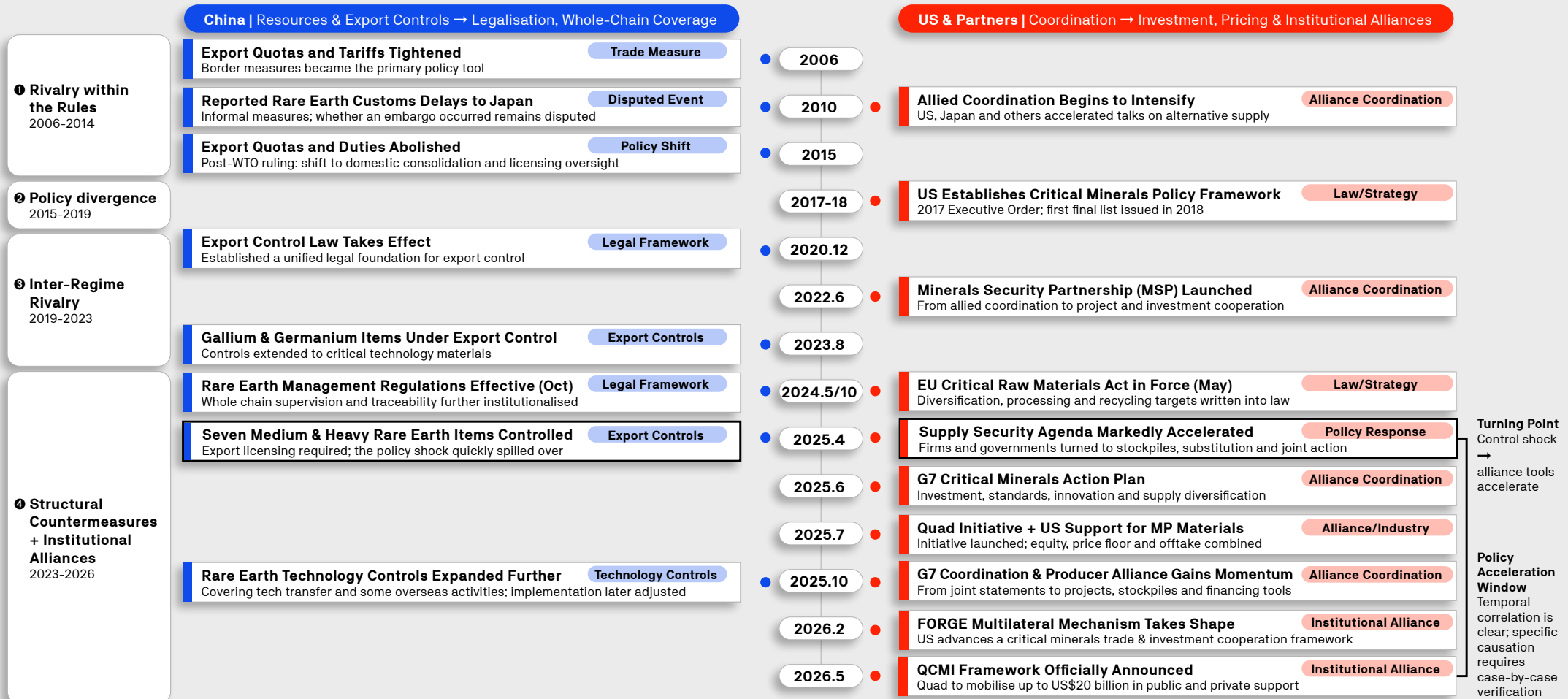
The April 2025 controls did not start efforts outside China to diversify supply. The United States already had a critical-minerals policy, Japan had supported alternative suppliers for years, the Minerals Security Partnership was established in 2022 and the EU Critical Raw Materials Act took effect in 2024. What changed was how immediate the risk felt. Governments and companies were no longer dealing only with statistics about concentrated supply; they had to manage licence delays, inventories and the possibility of missing deliveries.

The International Energy Agency (IEA) estimates that full implementation of expanded Chinese controls could expose approximately US\$6.5 trillion in annual downstream output outside China.¹⁴ This is an estimate of what could be exposed in a severe scenario, not a forecast that this value will be lost. The risk arises because low-cost mineral inputs are essential to much larger vehicle, electronics, energy and defence industries. Artificial intelligence adds indirect demand: electricity use by data centres is projected to grow sharply, and the equipment and electricity networks they require depend on several minerals with concentrated supply.¹⁵

April 2025 was therefore a turning point that increased the urgency of existing policies. It strengthened the case for stockpiles, substitutes, joint purchasing, project finance and minimum-price protection. But it did not cause every later alliance initiative. Many projects and institutions were already under way.

Figure 2. Rare earth policy rivalry: from trade disputes to supply chain system competition, 2006-2026

China's export & industrial controls x US & partners' diversification & alliance building | 2006-2026
(selected milestones; vertical spacing does not reflect actual time intervals)



Asymmetry

China sharpens the precision of licensing, lists and traceability; the US and partners scale up investment, price support and alliance tools.
Shared outcome: competition shifts from the legality of border measures to the industrial capacity — and time — to build complete supply chains.

Reading Notes

The 2010 event is marked “reported” to distinguish formal rules from actual trade disruption. Some post-October 2025 measures were later adjusted in implementation; nodes mark policy announcement dates.

2.2.2 The allied response: from diversification to market formation

The allied response has moved from diversification to market-making. The Minerals Security Partnership coordinated public and private investment among participating countries and the European Union.¹⁶ The EU Critical Raw Materials Act then set 2030 benchmarks for extraction, processing and recycling, and for dependence on any single third country.¹⁷

The June 2025 Group of Seven (G7) Critical Minerals Action Plan linked diversification to standards-based markets, finance, local value creation and coordinated responses to disruption.¹⁸ The Quad launched its Critical Minerals Initiative the following month,¹⁹ when the US Department of Defense also combined equity, debt, offtake and price protection in its agreement with MP Materials.²⁰

The October 2025 US–Australia Critical Minerals Framework placed bilateral projects within this architecture and committed both governments to mobilise investment across mining, separation and processing.²¹ In February 2026 the US launched FORGE as the successor to the Minerals Security Partnership,²² and in May the Quad adopted a framework to mobilise up to US\$20 billion across mining, processing and recycling.²³

The policy response now extends beyond finding deposits to equity, concessional debt, guarantees, price floors, offtake, procurement, stockpiles and coordinated project selection. Its purpose is to keep higher-cost projects alive long enough to gain experience, reach scale and qualify with customers.

2.3 Competing security logics

For the US and its partners, dependence on China is a supply chain vulnerability. Their outward-facing response uses finance, procurement rules and alliances to create enough trusted capacity to keep defence and advanced manufacturing operating during disruption.

For China, the priority is secure resources and industrial development. Its approach combines greater industry coordination, production controls and tracking requirements with licences for specific materials and restrictions on some technologies. The two approaches are not identical, but each side can view the other's efforts as containment or pressure. An industry participant also argued that China's expanding export restrictions had increased the strategic importance of Australian tungsten and molybdenum projects.

2.3.1 One market, two systems

The emerging order is one market increasingly governed by two systems. China-centred chains retain advantages in scale, cost, equipment, experience and civilian demand. US-led arrangements are building a higher-cost alternative around trusted capital, traceability and public risk-sharing. Competition has shifted from border rules to the capacity and time needed to build industrial ecosystems.

A retired executive at an Australian rare earth producer captured the risk: 'It doesn't scare me, but it should scare policymakers.' An established company may be able to cope with changing prices and licence delays. Governments must consider what happens to entire industries when processing, magnet manufacturing, expertise and customers are concentrated in one country.

The systems remain connected through prices, intermediate materials, equipment, civilian customers and third-country production. A defence-only market is too small to support every alternative producer. The more likely outcome is partial separation by level of risk: strict sourcing in mission-critical uses, with diversified but connected trade in large civilian markets.

2.4 Implications for policymakers

- **Treat export control risk as a commercial variable.** Contracts should address licensing delays, inventories, alternative feedstocks and customer concentration.
- **Build capability, not nominal independence.** A mine without separation knowledge, metals, magnets and qualified customers remains externally dependent.
- **Differentiate sensitive and civilian chains.** Mission-critical uses may justify stronger traceability and premiums; mass markets still require affordable scale.
- **Use resource access as bargaining leverage.** Exchange secure supply for technology, training, processing, customer access and purchase commitments from different markets.

Political commitments matter only when they produce real capabilities. China's controls are powerful because they are supported by established industries. Allied policies will have lasting effects only if government support leads to operating facilities, products approved by customers and reliable demand. Australia should build those capabilities while political and market support is available.



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3

Pricing, Offtake and the Limits of the Security Premium

Section 3 at a glance

Political alignment does not automatically make customers pay more for secure mineral supplies. Australian projects are easier to finance when buyers or governments make enforceable commitments on price, quantity and contract length. Minimum-price guarantees can protect against market downturns, but political announcements and letters of intent cannot replace firm purchase agreements. The key question is whether governments and customers take on enough price and demand risk to give projects reliable future revenue.

3.1 Why secure supply requires price protection

There is no clear evidence that the US formally requires Australia to sell minerals to US customers at a discount. The main problem is economic: producing rare earths outside China generally costs more because of labour, energy, approvals and waste treatment, and because new suppliers lack established networks of expertise and customers. If countries want alternative sources, their governments or manufacturers may have to pay for the extra cost. Without that support, Australian projects remain exposed to prices influenced by China's scale and policies.

A practical solution is targeted protection against sharp price falls, rather than a permanent premium on every sale. A minimum price combined with a commitment to buy a set amount – or a take-or-pay clause, requiring payment even if the buyer does not take delivery – can give lenders more confidence in future revenue. Australia's CMSR is designed to use purchase agreements, price-stabilisation commitments and finance in this way. These tools reduce risk but cannot make a costly project competitive in every circumstance. A long period of oversupply, weak demand or reliance on a few customers could still create financial pressure.

Industry interviews reinforce the distinction between stockpiling and market formation. One interviewee favoured the Japanese model around Lynas: long-term industrial demand, patient capital, inventories and committed downstream customers. A stockpile provides only a temporary buffer if it does not create recurring demand. The test of a security premium is therefore whether it supports a functioning market, not simply whether government holds material.

3.1.1 Contractual strength matters more than announcement volume

A minimum price, a final purchase contract, a conditional term sheet, a letter of intent and a memorandum of understanding (MoU) do not offer the same protection. The label alone is not enough. What matters is the exact wording on prices, minimum purchases, payment if goods are not collected, conditions, cancellation rights and contract length. Protection against falling Chinese prices requires both a price floor and firm purchase commitments.

The principal US agencies also perform different functions. The defence department has used explicit price floors in a small number of agreements. The Department of Energy mainly supports research and demonstration; its US\$134 million rare earth announcement in June 2026 selected projects for award negotiations rather than committing to mineral purchases at specified prices.¹ EXIM provides loans, guarantees and export credit. Its Supply Chain Resiliency Initiative requires signed long-term US offtake and links financing to US-bound volumes, but it does not generally compensate producers for commodity-price shortfalls.²



Box 3. Price protection in practice

MP Materials provides the clearest operating example. Its 10-year arrangement sets an NdPr floor of US\$110/kg. When the quarterly benchmark is lower, the US government pays the difference on eligible production or sales. MP recognised US\$42.3 million in price-protection income in the first quarter of 2026, demonstrating that the floor produces cash compensation rather than a political signal alone.³

Lynas signed a binding letter of intent for approximately US\$96 million of light and heavy rare earth oxide supply over four years, with an envisaged NdPr floor of US\$110/kg. It is stronger than an ordinary memorandum of understanding, but it remains a framework for a definitive agreement rather than the final supply contract.⁴

3.1.2 What the company agreements actually protect

The strongest structures transfer both price and volume risk. The Lynas agreement with Japan Australia Rare Earths (JARE) runs to 2038 and combines a firm annual commitment for 5,000 tonnes of neodymium-praseodymium (NdPr), firm purchase of half of Lynas' heavy rare earth oxide output and a US\$110/kg floor. Iluka's automotive agreement begins in 2028 and covers 1,200 tonnes over four years, approximately 90 percent take-or-pay, at the higher of a contractual minimum or market-linked price. Its disclosed minimum revenue is US\$155 million. These arrangements do more than identify a customer: they allocate part of the downside to the buyer or financier.

Northern Minerals–Iluka is binding but conditional. It covers qualifying Browns Range concentrate up to 30,500 tonnes of contained rare earth oxides, with a fixed-price component and upside sharing. The obligations depend on completion of the definitive feasibility study, a positive final investment decision, financial close and other conditions; Iluka may terminate if commercial production has not been achieved by June 30 2028. This is materially stronger than an MoU, but commercial protection does not begin until the principal conditions are satisfied.

Arafura has the broadest portfolio but thinner downside protection. Hyundai and Kia agreed to volumes rising from 600 to 1,500 tonnes of NdPr oxide annually over seven years, extendable by five, with prices referenced to Chinese ex-works benchmarks. Siemens Gamesa's conditional agreement rises to 400 tonnes of NdPr metal annually. Traxys Europe provides a firm 100 tonnes a year plus an option for more; the North American term sheet covers 500 tonnes of NdPr and 7.5 tonnes of dysprosium-terbium (DyTb) annually and proposes a seaborne index outside China. An Indian industrial group adds a further conditional term sheet. These arrangements improve market access, but most do not provide the minimum-price and take-or-pay protection found in the JARE and Iluka automotive agreements.

The strategic reserve illustrates the remaining gap: its support for Arafura is non-binding and does not itself guarantee fixed purchases.⁵ The broader lesson is that contracted tonnage is not the same as transferred risk. Counting announcements systematically overstates effective offtake coverage when prices remain indexed to China, conditions are unresolved or purchase obligations are not firm.



Table 1. Selected project support and offtake arrangements

Arrangement	Commitment	Downside protection	Practical meaning
Lynas-JARE ⁶	Definitive to 2038; firm 5,000 tpa NdPr plus firm purchase of 50% of HRE oxide output	US\$110/kg floor; 30% upside share above US\$150/kg, capped at US\$10m a year	Strongest combination of duration, volume and price protection
Iluka-global automotive buyer ⁷	Binding; four years from 2028; 1,200 t total; about 90% take-or-pay	Higher of contractual minimum or market price; US\$155 million minimum revenue	Transfers both volume and price risk to an end user
Northern Minerals-Iluka ⁸	Binding, subject to DFS, FID, financial close and other conditions; up to 30.5 kt contained REO	Fixed component plus upside sharing	Commercial protection begins only after major conditions are met
Arafura portfolio ⁹	Mixture of binding and conditional agreements, generally five to twelve years	Mostly pricing linked to Chinese indices	Stronger market access than downside protection
Lynas-US defence department ¹⁰	Binding letter of intent; definitive contract pending; about US\$96 million over four years	Envisaged US\$110/kg floor	Useful defence anchor, but not yet a definitive long-term contract
Syerston-US defence department ¹¹	Conditional US\$400 million loan; right of first offer; no disclosed minimum purchase quantity	No revenue floor disclosed	Finance reduces construction risk, not sales risk

Source: Company and government disclosures cited in this section.



3.1.3 How minimum price protection works

There is no standard extra charge for rare earths produced outside China. A contract with a US\$110/kg minimum price provides protection when the market price falls below that level. The value of that protection relative to the market price can be shown as:

$$\text{Protection rate} = \frac{110 - \text{market price}}{\text{market price}}$$

At a market price of US\$60/kg, the US\$50 shortfall equals 83 percent of the market price. At US\$55/kg, the top-up rises to US\$55, or 100 percent. Once the market reaches US\$110/kg, protection falls to zero. In practice, the floor shifts the risk of very low prices from the producer to the guarantor, while the producer remains responsible for operating the project.

In return, the provider may share in gains when prices are high. Under Lynas-JARE, when realised NdPr prices exceed US\$150/kg, 30 percent of the excess is payable to JARE, capped at US\$10 million a year. The financier protects against low prices in exchange for part of the gain at high prices. Other contracts disclose less: Iluka's minimum unit prices are confidential, while Northern's fixed component and most Arafura pricing adjustments are not public. Their implied premiums therefore cannot be calculated reliably.

3.1.4 What happens if Chinese prices fall?

Performance under a price shock depends on contract design. MP Materials receives direct economic protection, and the US government has also undertaken to ensure that defence or commercial customers purchase output from its planned 10X magnet facility. Lynas-JARE combines firm annual purchases with a floor; its annual good-faith review is not a general cancellation right triggered by cheaper Chinese supply. Iluka's automotive buyer has the clearest commercial purchase obligation: approximately 90 percent take-or-pay at no less than the contractual minimum, subject to product specifications and events beyond the parties' control.

Northern-Iluka and Arafura offer more qualified protection. Once effective, Northern-Iluka requires purchases of qualifying output within the agreed parameters and provides some buffer through its fixed-price component, but unresolved conditions and the 2028 deadline remain material. Arafura's contracts can preserve access to customers, yet prices linked to Chinese indices fall with the market and are not generally described as take-or-pay. MoUs, non-binding finance letters and letters of support guarantee no purchases.

Interviews reinforce one policy conclusion: loans, guarantees, equity, price support and purchase commitments address different risks and work best in combination. Defence demand is too small to support the full industry, and a premium for non-Chinese supply must be written into contracts rather than assumed. Security premiums are real, but they are not yet a general market rule for Australian rare earth projects.

One rare earth industry participant put the cost constraint bluntly: 'They're not going to get a premium to be outside of China. They have to be able to produce at the Chinese cost.'



3.2 Implications for policymakers and businesses

For policymakers

- **Assess contract quality, not announced tonnage.** Classify agreements by minimum price, firm volume, take-or-pay, conditions precedent and termination rights.
- **Target the missing risk.** Reserve support should prioritise viable projects lacking commercial or defence price floors, while EXIM lending and Department of Energy grants should be assessed separately from price support.
- **Share upside as well as downside.** CMSR agreements can draw on the JARE model so taxpayers receive part of exceptional gains in exchange for price protection.

For businesses

- **Negotiate price protection with volume.** Quantities tied only to Chinese indices may support market access but rarely provide the revenue certainty required for investment.
- **Use Iluka as the commercial benchmark.** Pricing at the higher of a contractual minimum or the market price, take-or-pay and minimum aggregate revenue should be the baseline for projects still negotiating offtake.
- **Separate relationships from risk transfer.** A strategic partnership or finance letter is not contracted revenue; investors also need disclosure of whether floors are definitive, conditions have been met and minimum prices cover costs.

A security premium is not an automatic reward for supplying countries outside China. It is a contractual arrangement through which a buyer or government accepts some price or demand risk. Diversification becomes easier to finance only when that commitment is enforceable.

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4

Financing the Gap – Allied Public Capital and the Replacement of Chinese Capital

Section 4 at a glance

Replacing Chinese investment requires more than finding a different lender. Chinese investors have often provided funding together with purchase agreements, processing access and links to manufacturers. Support from allied countries is split among agencies, governments and private customers. Japanese finance offers relatively long-term, coordinated support; US support is significant but selective and generally linked to benefits for US manufacturing. Preliminary offers still require detailed review and approval. Australian projects need finance, reliable customers and price support as a single workable package, not unrelated announcements.

4.1 Replacing an integrated financing system

Australia is building a public finance system around the A\$5 billion Critical Minerals Facility administered by Export Finance Australia, the National Reconstruction Fund, the Northern Australia Infrastructure Facility, the Critical Minerals Production Tax Incentive and the A\$1.2 billion Critical Minerals Strategic Reserve. The reserve uses A\$1 billion from the expanded facility for transactions and adds funding for selective stockpiling and implementation.¹ These instruments address different risks; they do not by themselves form an integrated financing package.

Interviews for this report described Chinese participation as a system rather than a single source of debt. Equity, loans, long-term purchase agreements, project companies, processing capacity and downstream demand can be negotiated together, with the commercial objective of securing mineral flows and feedstock as well as earning a financial return. Allied institutions are generally more fragmented: one agency lends, another provides equity, a foreign customer signs a purchase agreement, and government may separately consider price support or a reserve purchase.

The main financing problem is therefore bringing the pieces together. Loans pay for construction but cannot create customers. Purchase agreements help predict revenue, but prices may still follow Chinese benchmarks. Tax credits generally apply only after production begins. Minimum-price support reduces exposure to low prices but does not complete engineering or pay for construction overruns. The project needs a coordinated financing plan that states what must happen before each commitment takes effect and who bears the risks.

A former executive at rare earth companies in North America described the structural financing problem bluntly: 'Capitalism doesn't work in an industry that is very small and dominated by state capital.' This should not be read as an argument for permanent subsidies or protection from commercial discipline. It identifies the difficulty of financing redundant capacity in a small market where the incumbent combines state support, scale and concentrated downstream demand. Public intervention must aggregate demand and absorb selected early risks while preserving a credible path towards commercially sustainable production.

4.2 Funding conditions redistribute industrial benefits

EXIM uses its Supply Chain Resiliency Initiative (SCRI) to finance projects with signed long-term purchase agreements with US companies. Finance is proportional to the share committed to US buyers, and output must support goods manufactured in the US. Eligibility excludes projects controlled or owned by Chinese entities, reliant on Chinese technology, or serving a significant Chinese customer base.² These are project-level conditions: they do not automatically require every activity of the parent company to disengage from China.

Defence procurement applies a different test. From January 1 2027, the Defense Federal Acquisition Regulation Supplement (DFARS) restriction for samarium-cobalt and neodymium-iron-boron (NdFeB) magnets extends through the chain from specified mineral inputs to finished magnets, subject to exceptions including non-availability.³ SCRI regulates the financed project and its customers; DFARS regulates material delivered under defence contracts; tailored defence transactions may impose broader company obligations. Treating all three as a single ‘no-China’ rule obscures where the restriction actually falls.

MP Materials illustrates the broadest form. To align with its 2025 defence transaction agreements, the company ceased sales under its Shenghe Resources offtake agreement and did not extend it beyond January 2026. Its filings also show earlier purchases of reagents and other materials from Shenghe, demonstrating that customer and supplier disengagement need not occur simultaneously.⁴

Australian finance pursues a different primary outcome. Export Finance Australia (EFA) asks whether an Australian project can proceed and deliver a national-interest benefit; EXIM asks whether a project can secure inputs for US manufacturing. Under EFA’s Commercial Account, EFA bears the risk; under its ministerially authorised National Interest Account, the Commonwealth bears the risk and receives the income.⁵ That structure permits longer repayment periods and greater risk tolerance where ordinary banks will not lend. Iluka’s original Eneabba facility, for example, was non-recourse, charged the bank bill swap rate plus three percentage points, allowed interest to be added to the loan before completion and provided a term of up to sixteen years.⁶

A financing signal is not committed capital. EXIM states that a Letter of Interest is valid for one year, may be renewed once and remains subject to a formal application, further review and final approval. It is expressly not a commitment to finance.⁷ Such letters can attract other financiers, but their face value should not be counted as committed bilateral funding.



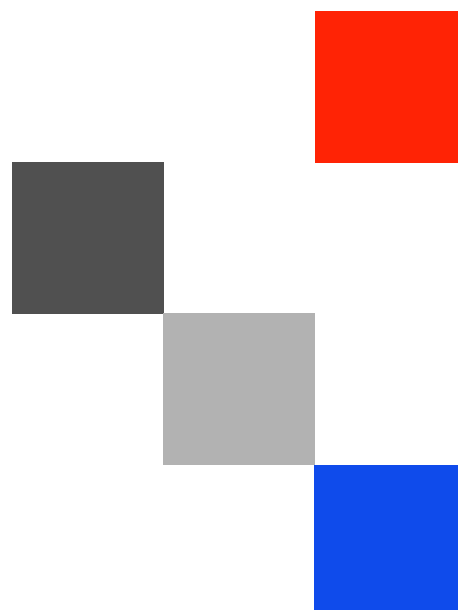
4.3 Exclusion increases the replacement capital burden

Excluding Chinese capital can increase financing difficulty, but it should not be treated as a universal explanation for project delay. Northern Minerals presents the clearest case of direct foreign investment intervention. The Treasurer ordered five foreign investors to divest in June 2024, enforcement proceedings followed an alleged breach, and a further six shareholders were ordered to divest in May 2026.⁸ These actions complicated the ownership structure and the search for replacement equity. They do not establish that foreign investment action alone caused every delay to Browns Range.

Disputes over ownership are therefore an additional project risk, not an explanation for every delay. Browns Range is remote and costly, rare earth prices fluctuate and the project depends on processing infrastructure that is not yet fully operating. At the same time, questions about ultimate ownership, voting rights and compliance arose during a crucial period for financing and the final investment decision. Screening can block unwanted control, but without replacement funding it can also make a project harder to complete.

Arafura shows a different causal pattern. Its earlier obstacles were the capital shortfall, offtake conditions and weak rare earth prices, not a publicly identified Chinese divestment order. It reached final investment decision (FID) on 21 May 2026 after the Australian government confirmed eligibility for the strategic reserve and made a non-binding commitment to secure up to 500 tonnes of output, alongside the broader debt and equity package.⁹

Iluka's case also cannot be attributed to the exclusion of Chinese capital. Its financing expanded because completed engineering lifted expected Eneabba capital costs to A\$1.7–1.8 billion. The government added A\$400 million on terms consistent with the original loan, taking the non-recourse facility to A\$1.65 billion, while Iluka committed another A\$214 million of equity.¹⁰ Across the cases, the common problem is not exclusion alone but the absence of replacement capital able to absorb construction, ramp-up, price and offtake risks at the same time.



4.4 Allied capital differs in patience and integration

Japan provides the closest allied substitute for long-term, strategically coordinated investment. In 2011, the Japan Organization for Metals and Energy Security (JOGMEC) and Sojitz provided Lynas with US\$250 million in loans and equity and secured at least 8,500 tonnes a year for Japan over 10 years. The debt was later extended to 2030 at 2.5 percent, and Japan's priority supply rights extended to 2038. In 2023, JARE, the JOGMEC–Sojitz vehicle, invested a further A\$200 million to support light rare earth expansion and heavy rare earth separation.¹¹ As Section 3 showed, subsequent offtake and price protection complete the package. Its strength lies in repeated intervention across the project life, not one large announcement.

South Korean support follows specific industrial customers. The Export-Import Bank of Korea (KEXIM) conditionally offered up to US\$150 million for Arafura, split between a direct loan and a guarantee supporting commercial lenders, and linked to Korean offtake. This connects finance to vehicle-industry demand, but the underlying offtake's exposure to Chinese benchmark prices means that linking finance to customers does not necessarily make those customers bear the full extra cost of diversification.¹²

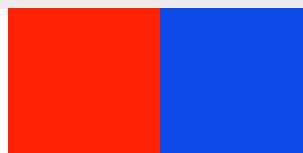
Germany combines long-term supply policy with credit support. In April 2026, the development bank Kreditanstalt für Wiederaufbau (KfW) announced up to €50 million of German Raw Materials Fund equity for Nolans. Separately, Germany conditionally approved up to US\$115 million of Untied Loan Guarantees over 10 years. The program protects lenders against political and commercial default and normally requires a long-term supply agreement with a German buyer; it reduces credit risk, not necessarily commodity price risk.¹³

The US can make the largest and most forceful interventions, especially for defence, but its benefits are tightly directed toward US offtake, manufacturing and procurement security. Japan is more integrated across finance, demand, distribution and time. South Korea and Germany sit between these models, using finance to connect projects with national industrial users. These differences matter because allied capital does not merely replace Chinese money: it reallocates mineral flows and downstream industrial gains.

Table 2. How allied public capital allocates risk

Source	Main instruments	Risk principally absorbed	Strategic condition	Residual limitation
Australia	EFA debt and equity; NRFC and NAIF capital; production tax incentive; CMSR	Construction, completion, ramp-up and selected market risks	Australian delivery, processing and national-interest benefits	Instruments remain dispersed; price protection must be integrated with finance
Japan	JOGMEC-Sojitz debt, equity, offtake, distribution and price support	Long-tenor capital, demand and part of the downside-price risk	Priority supply and customer access for Japanese industry	Concentrated around a small number of strategic suppliers
South Korea	KEXIM direct lending and guarantees linked to industrial customers	Credit and customer-access risk	Supply for Korean manufacturing and vehicle producers	Chinese-index pricing can leave commodity-price risk with the producer
Germany / Europe	Raw Materials Fund equity and Untied Loan Guarantees	Equity and lender default risk	Long-term supply to German and European industry	Multi-stage approvals; guarantees do not necessarily protect mineral prices
United States	EXIM SCRI finance and bespoke defence investments	Strategic project and selected market risks	US offtake, manufacturing benefits and restrictions on Chinese exposure	Highly selective; letters of interest are not funding commitments

Source: Government and company disclosures cited in this section. The categories identify the principal function of each instrument; individual transactions may allocate risk differently.



4.5 Implications for policymakers and businesses

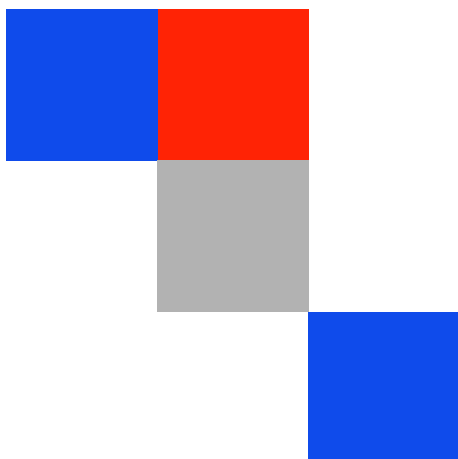
For policymakers

- **Build one financing package around the project's full set of risks.** EFA debt, reserve offtake, tax incentives, equity and customer commitments should share a common timetable, conditions precedent and low-price scenario.
- **Pair capital exclusion with replacement equity.** Where foreign investment action removes an investor, a viable project needs access to alternative risk capital at the same stage; debt alone cannot repair the equity gap.
- **Negotiate industrial retention, not only funding volume.** Public support should specify which processing, technical capability, intellectual property and customer relationships remain in Australia.

For businesses

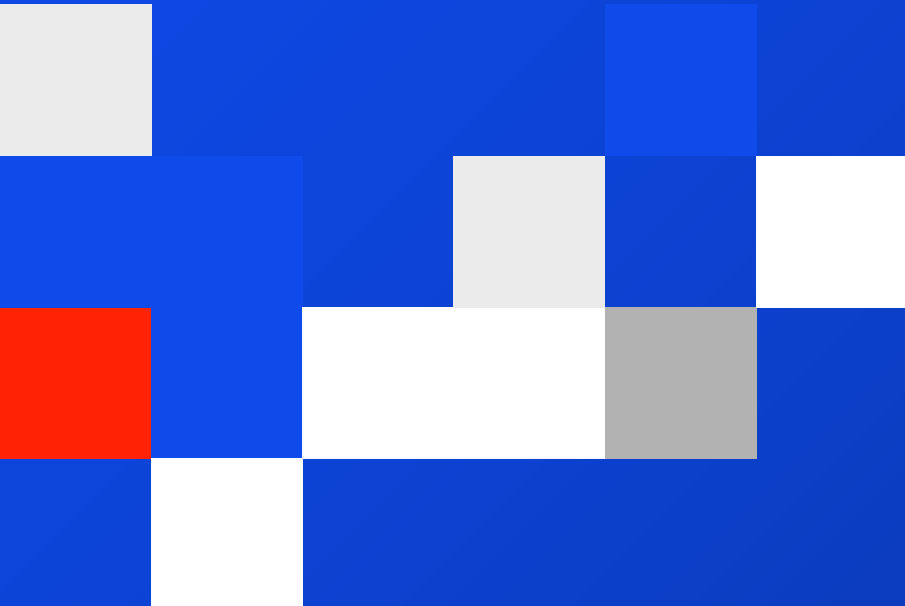
- **Design the project for eligibility from the outset.** Project-company ownership, technology sources, customers and export destinations should be tested against SCRI and defence rules before financing due diligence begins.
- **Do not count letters as committed capital.** Financing plans should distinguish expressions of interest, conditional approvals, executed facilities and funds available for drawdown.
- **Match each instrument to the risk it actually covers.** Loans reduce funding risk; guarantees reduce lender risk; offtake reduces volume risk; and only a floor or equivalent mechanism protects revenue when prices collapse.

Replacing Chinese capital ultimately requires institutions to work together. Australia will not close the financing gap by accumulating announcements from different allies. It will do so when capital, customers, processing capability and price protection form one package that lenders and investors can support—and when that package leaves durable industrial capability in Australia. An academic participant described the competing model more directly: 'China uses effectively the power of the purse to secure raw materials overseas.'



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5

Exclusion, Compliance and Layered Decoupling

Section 5 at a glance

There is no single rule that excludes every Chinese connection. Eligibility is determined through overlapping tests of ownership and control, financing, technology, product provenance and customers. Australian foreign investment screening, US project finance, defence procurement and battery-subsidy rules can therefore produce different answers for the same company. The practical outcome is layered decoupling: sensitive product chains are separated and more tightly controlled, while replaceable inputs and civilian trade may continue. Compliance now depends less on declaring a project 'China-free' than on proving who can influence it, where each production stage occurs and whether operations can continue after a supply interruption.

5.1 There is no single 'China rule'

The available evidence does not establish a single clause in the bilateral framework that prohibits every Chinese shareholder, customer, supplier or item of equipment. Exclusion nevertheless operates through access to finance, government procurement, investment approval and strategic customers. Companies may reduce Chinese exposure before a regulator or financier formally requires it because they expect ownership, technology or offtake arrangements to be examined during due diligence.

This is better described as layered decoupling than complete separation. The relevant question is not whether a company has any commercial connection with China, but whether a Chinese party can control a project, interrupt a critical process, determine where output is sold, or place restricted material inside a protected product chain. The answer varies with the rules being applied.

5.1.1 Four sets of rules apply four different tests

Australia's Foreign Investment Review Board (FIRB) advises on transactions under the Foreign Acquisitions and Takeovers Act 1975 (FATA). The law is formally nationality-neutral and tests risks to the national interest or national security. A 10 percent holding will often count as a direct interest, but smaller holdings may matter if they confer control. Regulators also examine beneficial owners, associated investors, voting and board rights, creditor security, purchase agreements and access to sensitive information. Separate rules apply when one foreign government holds at least 20 percent or several foreign governments together hold at least 40 percent.¹

EXIM applies a project-eligibility test under its Supply Chain Resiliency Initiative (SCRI). A supported project must have signed long-term US offtake for use in US-manufactured products; financing is linked to the US-bound share of output. A project cannot be owned or controlled by a Chinese entity, depend on Chinese technology or serve a significant Chinese customer base. EXIM publishes no single percentage defining technological dependence or a 'significant' customer presence, leaving those questions to transaction due diligence and final documents.²

US defence procurement focuses instead on where products and inputs come from. Under DFARS, restrictions for covered magnets and materials extend from January 1 2027 through specified mining, refining, separation and production stages. For neodymium-iron-boron (NdFeB) magnets, the rule reaches from mining neodymium, iron and boron to finished magnets, subject to exceptions including non-availability and specified recycled material. The nationality of every shareholder is not the test; the origin of the material delivered under the contract is.³

The US Department of Energy applies separate foreign entity of concern guidance to specified battery grants and clean-vehicle supply chains. It covers relevant activity in a designated country, at least 25 percent government ownership or control through voting rights, board seats or equity, and effective control embedded in licences or contracts. These tests are important for batteries; they are not a universal definition governing every rare earth project, EXIM loan or defence transaction.⁴

Table 3. Different regimes test different China connections

Regime	Primary object	Principal test	Practical consequence
Australia: FIRB / FATA	Investment and continuing influence over an Australian asset	Beneficial ownership, associates, voting and board rights, vetoes, debt security, offtake and access to sensitive information	Approval, conditions, prohibition or later compliance action; formally nationality-neutral and transaction-specific
US: EXIM SCRI	Eligibility of an overseas project for US import finance	PRC ownership or control, reliance on PRC technology, significant PRC customers and signed US offtake	Project finance is tied to US-bound volumes and US manufacturing benefits
US: DFARS	Origin of material delivered under covered defence contracts	Mining, refining, separation and production provenance for covered magnets and materials, with specified exceptions	A compliant product chain can be required even when the wider company retains civilian China links
US: DOE FEOC guidance	Eligibility in specified battery grants and clean-vehicle supply chains	Covered-nation jurisdiction, 25% government ownership or control, and effective control through licences or contracts	Useful for battery compliance; not a universal definition for every rare earth financing or defence transaction

Source: Australian and US rules and agency guidance cited in this section. Individual transactions may impose additional contractual conditions.

5.1.2 Northern Minerals: control matters more than headline ownership

Northern Minerals provides the clearest Australian example of direct regulatory action. The Treasurer ordered five foreign investors to divest shares in 2024 and ordered a further six shareholders to divest in May 2026. Separately, the company's December 2025 quarterly report said it was reviewing beneficial ownership in the context of Australian and US financing, had referred matters to FIRB and deferred its annual general meeting while the review continued.⁵

The case shows why a minority percentage cannot be assessed in isolation. Regulators and financiers may look through associated holdings and offshore entities to ask whether parties act together or obtain continuing influence over governance, information or product flows. It also demonstrates the need to identify the actor: the divestment orders were Australian government decisions. The evidence supports a link between ownership transparency and financing eligibility, but not a claim that the US directed the Australian orders.

5.1.3 From transaction screening to delivery governance

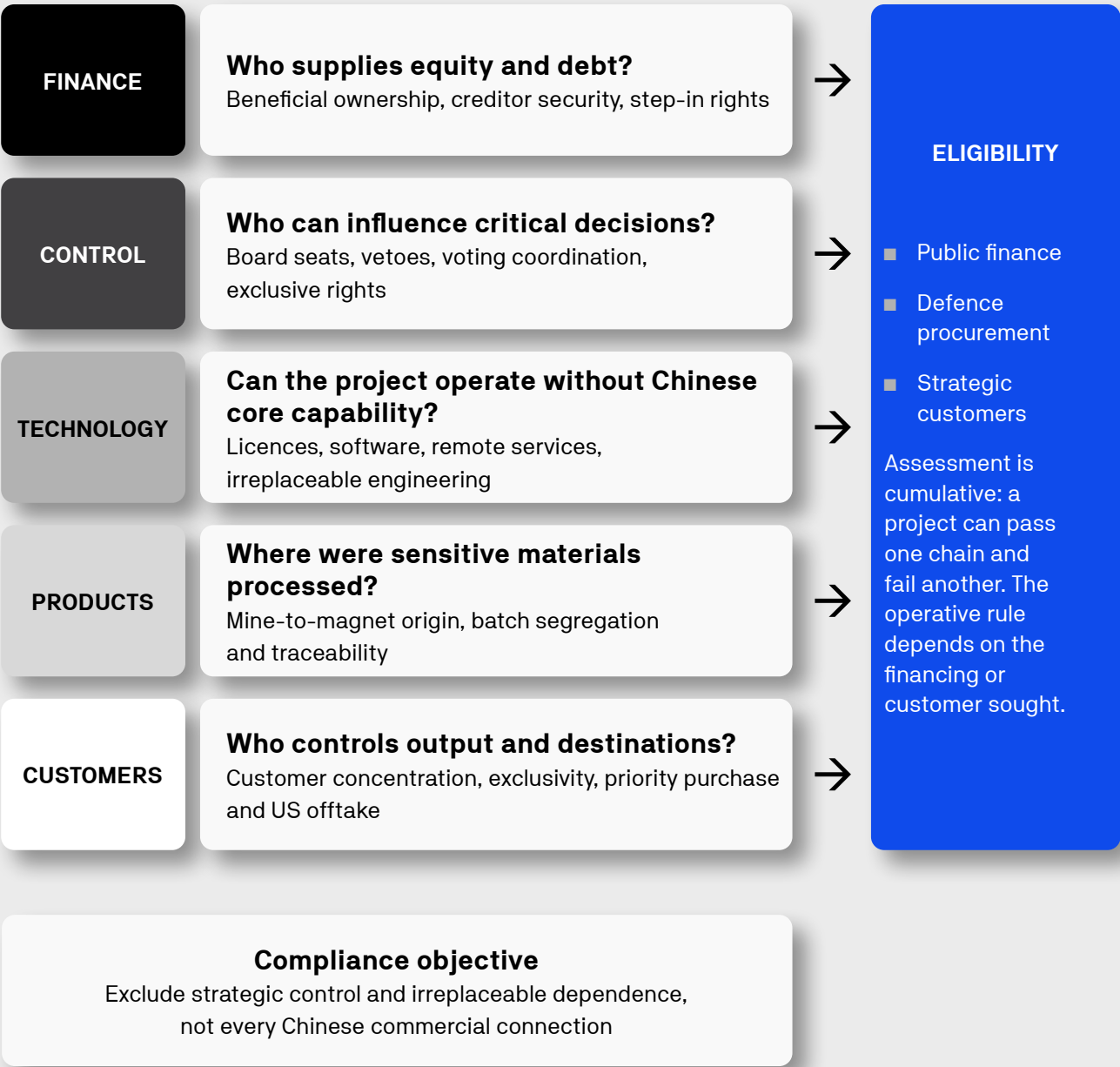
Transaction screening, post-transaction enforcement and strategic delivery are distinct functions. The first asks whether a transaction may proceed; the second whether conditions and disposal orders are obeyed; the third whether a designated project reaches financing, construction and production on a strategically relevant timetable. Northern Minerals demonstrates substantial Australian enforcement capacity, but also the limits of treating each acquisition or transfer as a discrete event when beneficial ownership, associations and voting coalitions can change over time. Continuous monitoring should therefore be confined to designated high-security projects, remain legally reviewable and be paired with a remediation pathway and replacement capital.

5.2 Commercial separation is more likely than corporate exit

Australia has no blanket prohibition on ordinary rare earth or mineral-sands exports to China. Export controls principally apply to goods, software and technology listed on the Defence and Strategic Goods List, and can also cover unlisted items when military or weapons-of-mass-destruction use is suspected.⁶ A company can therefore face three different commercial outcomes: a fully traceable non-Chinese chain for covered US defence products; US-directed output and customer limits for an SCRI-financed project; and continued civilian trade in unrestricted products, subject to ordinary export-control and sanctions compliance.

Product and batch separation is consequently more realistic than forcing every diversified mining company to leave China. A firm may supply compliant magnet materials to defence customers while another business unit sells zircon, titanium feedstocks, cerium or other civilian products to Chinese buyers. The company must show that ownership rights, inventories, production records and contractual obligations do not allow the civilian relationship to compromise the protected chain.

Figure 3. Five chains of China-related compliance exposure



5.2.1 ETM-Shenghe: documented action versus inferred pressure

Energy Transition Minerals (ETM) illustrates why claims of external pressure require different levels of evidence. In 2016, its predecessor granted Le Shan Shenghe Rare Earth Company a top-up right linked to a strategic relationship that also included technical cooperation and board representation. The Australian Securities Exchange (ASX) waiver permitting the right provided that it would lapse if the strategic relationship ceased or effectively ceased.⁷

On January 9 2026, ETM appointed US policy advisers while pursuing a Nasdaq listing and explicitly described closer alignment with Western supply chain initiatives. On 30 January, it said Shenghe's technical involvement had ceased and formed the view that the top-up right had lapsed. The sequence supports an inference that reducing Shenghe's governance rights improved ETM's positioning with US investors, but it does not prove a US government instruction or financing condition.⁸

The commercial relationship was also less binding than headlines suggested. A 2018 MoU contemplated Shenghe taking all Kvanefjeld rare earth output at prices referencing Chinese domestic markets but expressly stated that it was non-binding. After Shenghe's nominated director was not re-elected, ETM terminated the MoU in April 2026 as a 'logical commercial outcome'; the top-up dispute remained unresolved and ASX said it would not determine the matter if third-party adjudication was required.⁹

MP Materials provides the contrasting standard of proof. Its Securities and Exchange Commission filings state that, to align with US defence transaction agreements, the company ceased additional China sales and did not renew its Shenghe offtake agreement.¹⁰ VHM's Goschen project is closer to ETM: VHM terminated its Shenghe offtake after conditions were not met and said this restored freedom to seek new customers and financing following EXIM and Australian financing interest; no public document identifies an EXIM order to terminate.¹¹

The cases therefore support three different descriptions:

- **Documented contractual disengagement:** MP Materials, where a public filing links the action to defence transaction agreements.
- **Legal or commercial exit aligned with financing strategy:** ETM and VHM, where contractual status and strategic repositioning are documented but direct US compulsion is not.
- **Product-chain separation:** sensitive output is redirected and traced while unrestricted civilian relationships remain.



5.3 A trusted core can retain replaceable Chinese inputs

China supplies more than capital and customers. It also supplies equipment, reagents, engineering, processing capacity and price signals. Public disclosures show that Lynas has audited suppliers in China; Northern Minerals used a Sinosteel engineering subsidiary for its 2016-17 pilot plant; and the current Arafura and Iluka projects identify primarily Australian or Western core engineering partners.¹² These facts do not establish either zero Chinese content or continuing Chinese control. Supplier location, a historical engineering contract and dependence on an irreplaceable process are different claims.

The most practical civilian model is therefore a ‘clean core’ supported by diversified, replaceable suppliers. Ownership, boards, mineral rights, critical intellectual property and core operating systems remain outside Chinese control. Material destined for covered defence use follows a compliant and physically traceable chain. Replaceable Chinese-made equipment, standard components or generic chemicals may remain where alternatives are qualified and stocked, while civilian sales can continue unless customer concentration conflicts with a particular financing condition.

The highest-risk arrangements are those that confer durable rights rather than ordinary commerce: controlling equity or coordinated minority holdings; board seats, vetoes or access to sensitive information; debt security and step-in rights over mineral rights, plant or intellectual property; core process licences, software or remote operation; and exclusive purchase agreements that control output, pricing or customer choice. An offshore vehicle does not remove these rights from scrutiny. Conversely, a passive minority investor or replaceable supplier is not automatically equivalent to control.

5.3.1 What compliance evidence must show

A declaration that a project is ‘China-free’ is neither sufficiently precise nor always commercially realistic. Credible evidence should cover four areas:

- **Corporate control:** map ultimate beneficial owners, associates, board and veto rights, creditor security, technology licences, offtake rights and related parties.
- **Batch-level origin:** preserve chain-of-custody records from each mine batch through initial processing, separation, oxides, metals, alloys, powders and magnets, with records reconciling material inputs and outputs and separate defence inventories.
- **Critical equipment and suppliers:** record manufacturing country, ownership, remote access, dependence on one supplier, validated alternatives, spare inventories and replacement time for essential systems and reagents.
- **Customer safeguards:** provide origin warranties, supplier-change notices, audit rights, site access, sanctions and forced-labour clauses, and remedies for breach.

Lynas can build on mine-to-separation traceability and its work on rare earth supply chain assurance; single-site projects can similarly use integrated ore-to-oxide records.¹³ The decisive operational test is continuity: can the project keep producing compliant material and honouring contracts within an acceptable period if a Chinese supplier, customer or service provider abruptly withdraws?

5.4 Implications for policymakers and businesses

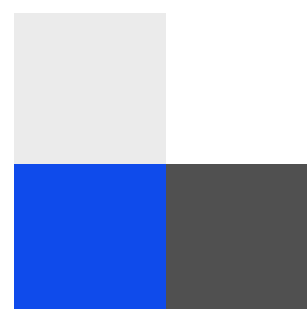
For policymakers

- **Publish guidance for each set of rules.** Australian authorities should distinguish permitted, correctable and prohibited forms of ownership, technology dependence, customer concentration and product origin, while making clear that US battery, defence and project-finance tests are not interchangeable.
- **Provide a path to correct problems.** Where continuing review identifies control risk, conditions, governance changes, ring-fencing or replacement capital should be considered before a viable project is stranded by abrupt divestment.
- **Attribute pressure accurately.** Policy analysis should separate Australian regulatory action, explicit US contractual requirements and corporate anticipation; collapsing them into 'US pressure' weakens accountability and evidence.

For businesses

- **Resolve eligibility before seeking finance.** Resolve beneficial ownership, coordinated holdings, board rights, licences, offtake concentration and product destinations before due diligence begins.
- **Separate sensitive products, not necessarily the whole company.** Defence and public finance batches need distinct inventories, records, suppliers, customer qualification and contractual controls.
- **Test continuity, not labels.** Supplier maps should identify which Chinese inputs are critical, irreplaceable or remotely controlled and which are ordinary, substitutable commodities.
- **Apply clear standards of evidence.** Claims of compelled disengagement should be supported by legislation, transaction documents or company filings. In their absence, describe the action as strategic alignment or anticipatory compliance, not a documented government order.

Layered decoupling is likely to remain the dominant model. A narrowly defined trusted core can meet defence, financing and strategic-customer requirements without pretending that the wider civilian economy is already independent of China. For Australia, the policy task is to make the boundary explicit, auditable and commercially workable.



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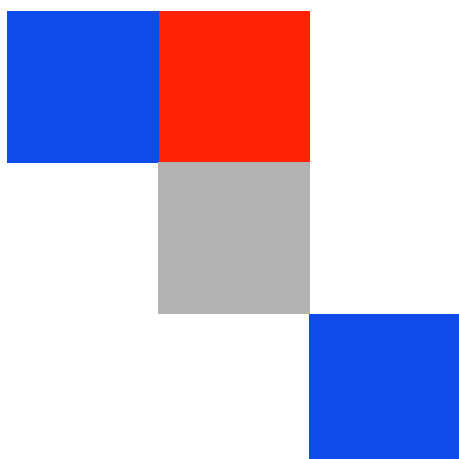
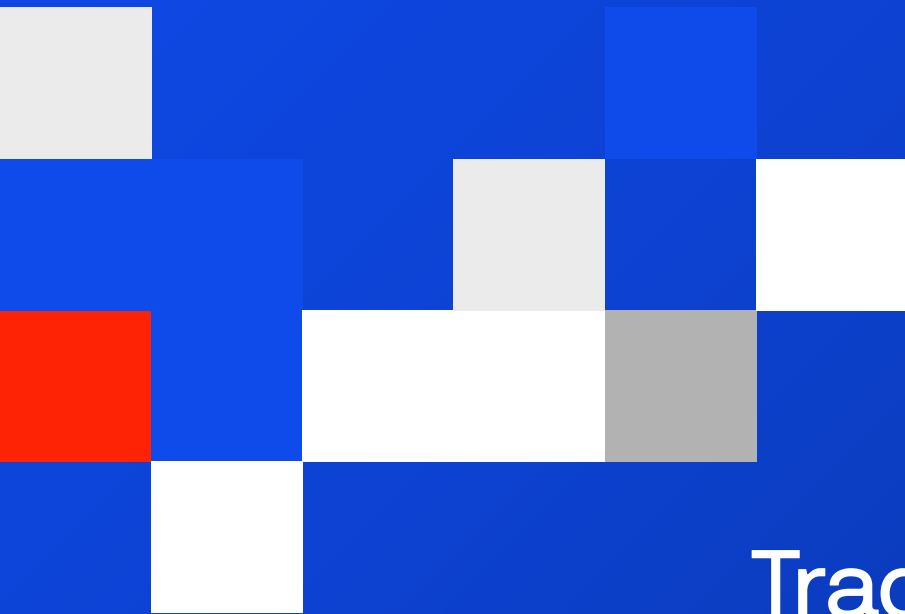




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Trade with China and the Case for a Dual Track

Section 6 at a glance

Stopping all trade connected to China would provide limited immediate security and could make Australian projects less commercially viable. Defence needs reliable suppliers, traceable materials and assured access during disruptions. Civilian industries such as electric vehicles and renewable energy need large volumes at competitive prices. Australia should therefore apply two different sets of rules within one global market, rather than attempt to build two entirely separate supply chains. Extra security should be paid for by the governments or buyers who require it.

6.1 A dual-track model

The two-track approach applies tougher security requirements to defence and other sensitive products, while allowing broader commercial relationships for civilian uses. The high-security track covers defence, sensitive technologies and critical infrastructure, with trusted finance, verified material origins, approved suppliers, reserves and priority access. The commercial track covers electric vehicles, renewable energy and most advanced manufacturing, where cost, scale and reliable supply matter most. It can include trade with China when business relationships are transparent, do not confer control and can be replaced.

The distinction rests on product, end use and control risk – not nationality alone. Both tracks may draw on the same Australian mines, separation plants, workforces, ports and technical skills. Over the next three to five years, non-Chinese capacity will still face disadvantages in cost, scale, process experience and customer testing and approval. The likely outcome is duplication only at the most critical stages, while other stages remain connected under clear rules. The allied chain would function as higher-cost insurance alongside China-centred commercial production.

This model also clarifies who should bear the cost of resilience. Mission-critical users should pay for traceability, capacity kept available for emergencies and assured delivery through price floors, capacity payments or long-term purchase commitments. Civilian producers should retain diversified and non-exclusive markets unless a relationship confers control over assets, technology, output or strategic decisions. The objective is strategic choice, not forcing every tonne of Australian production into the costliest security regime.

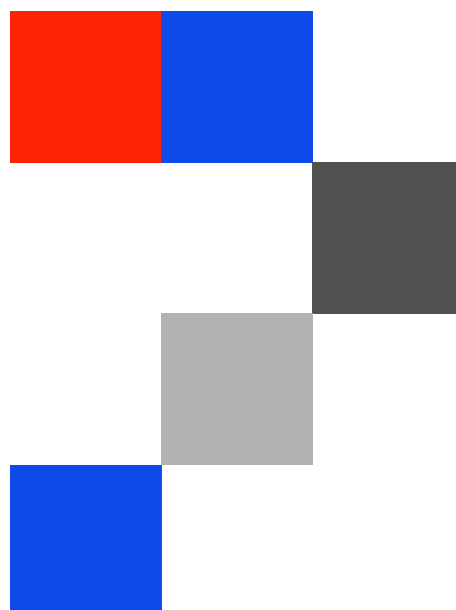
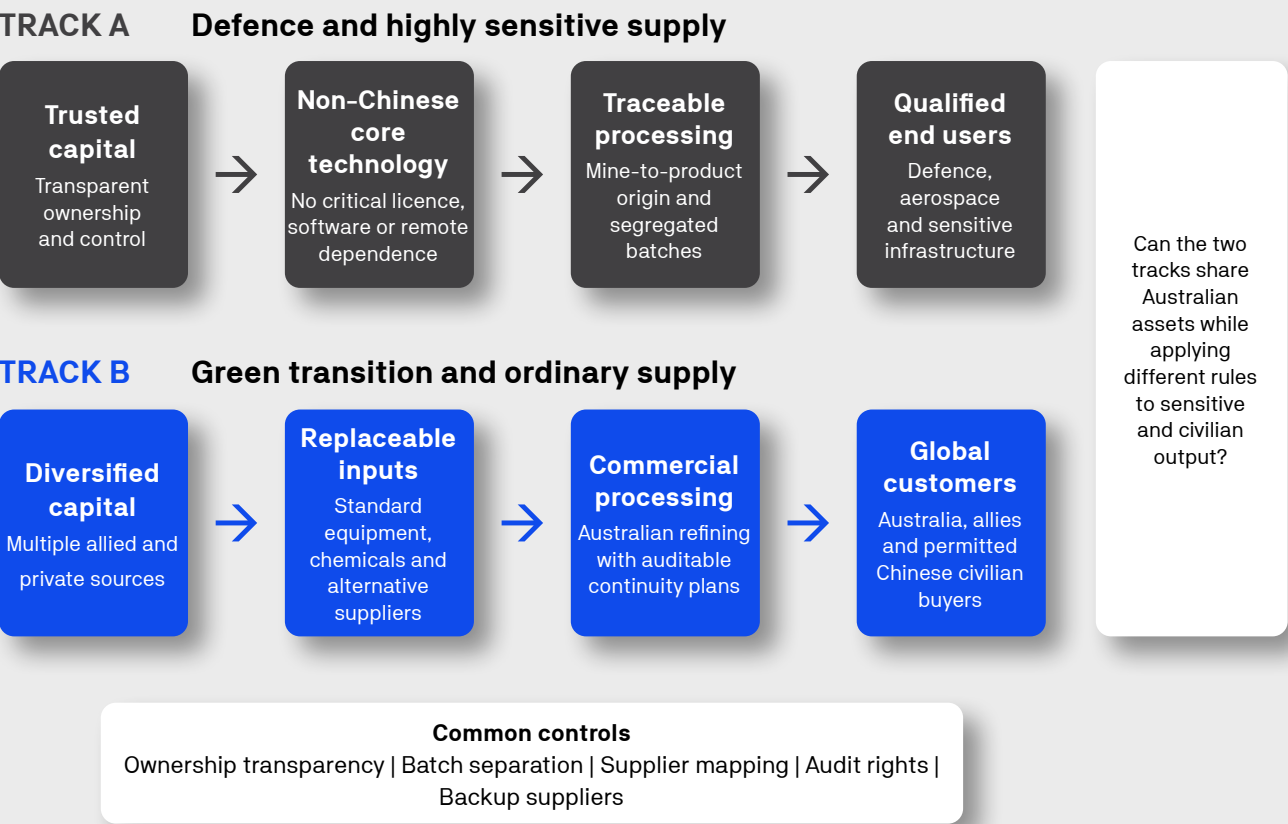


Figure 4. Dual-track supply chain model



6.2 Why security and commercial trade require different rules

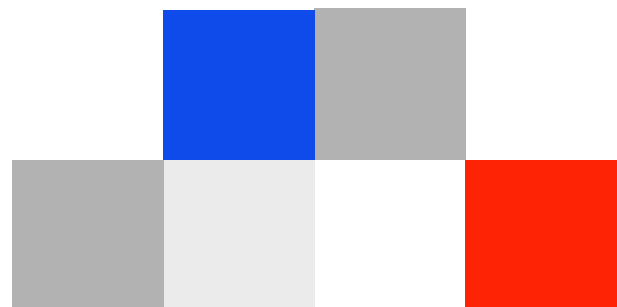
A complete break in China-related trade is neither realistic in the short term nor consistent with Australia's wider economic interests. A differentiated approach is more credible. Defence-sensitive magnetic materials, high-purity products and strategically important processing assets may require protected chains. Ordinary upstream minerals, non-sensitive by-products and most green-transition materials can remain in market-based channels, subject to export controls, investment screening and auditable safeguards.

Lithium illustrates the commercial logic. Chinese companies have supplied finance, offtake, processing capacity and industrial demand, helping Australia become the leading hard-rock lithium producer while leaving much value addition offshore. Rare earths present a sharper security problem, especially dysprosium (Dy), terbium (Tb) and magnetic materials—because they are closely connected to defence and advanced manufacturing and because Chinese separation and downstream capacity remain difficult to replace. Yet excluding Chinese demand before sufficient US, Japanese, Korean and European customers are contractually committed would weaken project revenue and the ability to secure finance.

The policy boundary should therefore be based on use and risk. Defence chains can be governed by security priorities, while large-scale decarbonisation still depends on affordable, scalable processing. Many minerals serve both markets, making complete physical separation impractical.¹ Priority rights, batch segregation and backup capacity are more proportionate than blanket export prohibitions.

6.2.1 What trade data can – and cannot – establish

Public customs data do not support precise claims about the shares of Australian rare earth concentrates, oxides and intermediates exported to China. A cross-check conducted for this report of preliminary financial year 2025-26 data published by the Queensland Government Statistician's Office, sourced from the Australian Bureau of Statistics (ABS), found essentially no identifiable China-bound exports under three rare-earth-related eight-digit Australian Harmonised Export Commodity Classification (AHECC) codes.² This result must be read cautiously: confidentiality rules can hide some values, classifications may combine products and destination data do not reveal every downstream route. It supports a narrow conclusion – that publicly identifiable flows are close to zero – not proof that no trade occurs.



Box 6.

What ‘near-zero’ China-bound exports means

Preliminary financial year 2025–26 customs data show essentially no identifiable China-bound flows under the three rare earth-related codes examined. This does not establish the absolute absence of trade: confidential values may be suppressed, customs categories combine products and destination data do not reveal every downstream route.

Company logistics are consistent with the result. Lynas routes Australian material through Malaysia for separation³; Iluka is accumulating feedstock for Eneabba⁴; and Arafura and Northern Minerals are not yet commercial-scale exporters. The defensible conclusion is that publicly identifiable Australian rare earth exports to China are close to zero, not that every possible flow is zero. This argues for controls calibrated to product, end use and contractual rights rather than a blanket prohibition.

Iluka’s 2026 agreement with an unnamed global automotive customer is commercially stronger: 1,200 tonnes of neodymium, praseodymium, dysprosium and terbium oxides over four years from 2028, approximately 90 percent take-or-pay, with pricing at the higher of a contractual minimum and a market-linked price and minimum revenue of US\$155 million.⁸

These arrangements do not make allied governments or companies buyers of last resort. They prioritise NdPr, Dy and Tb for magnet, automotive, wind and defence uses, not lanthanum, cerium and every co-product. Lynas’ reduction in lower-value lanthanum and cerium production in financial year 2025–26 illustrates the gap.⁹ The Export-Import Bank of the US (EXIM) can finance projects in proportion to qualifying long-term US offtake, but it does not itself undertake to buy all output.¹⁰

For investors, the relevant measure is not announcement counts but the volume, duration, enforceability and downside protection of customer commitments. Allied demand can anchor selected magnetic products; it cannot yet absorb every product from a diversified Australian industry.

6.2.2 Allied demand is real but selective

Alternative customers exist, but their strongest commitments are concentrated in magnet rare earths rather than the full product basket. The clearest case is the enhanced agreement between Lynas and JARE, a vehicle of the JOGMEC and Sojitz. It extends to 2038, commits Japanese industry to 5,000 tonnes a year of neodymium-praseodymium (NdPr), provides a US\$110 per kilogram floor and secures firm offtake for the equivalent of 50 percent of Lynas’ heavy rare earth oxide output, with access to as much as 75 percent.⁵

Other projects demonstrate both progress and limits. Arafura has assembled a portfolio of customer arrangements and continues to work towards satisfying an offtake policy covering up to approximately 80 percent of planned NdPr production; the agreements differ in legal strength, pricing and conditions.⁶ Northern Minerals has a binding long-term agreement to supply Iluka with 30,500 tonnes of contained total rare earth oxides (TREO) in concentrate, but delivery remains tied to project development and financing milestones.⁷

6.2.3 Designing defence priority access

Australia’s CMSR provides a domestic foundation for priority rights. Its initial subset covers antimony, gallium, light rare earth elements, particularly neodymium and praseodymium, and heavy rare earth elements, particularly dysprosium and terbium. Its tools include long-term purchase contracts, future delivery rights, pooled demand, selective stockpiling and payments that bridge the gap between an agreed price and the market price. The reserve can therefore shape demand and secure priority access; it is not simply a warehouse.¹¹

The bilateral Security of Supply Arrangement provides a second foundation. Under this non-binding arrangement, either government may request help prioritising approved defence orders.¹² A US priority rating does not automatically compel an Australian supplier. The US Department of Defense must request Australian government assistance through the process set out in US regulations.¹³

Five design principles would make these arrangements commercially workable:

- **Reserve a defined share, not all output.** Focus priority rights on NdPr, Dy, Tb and magnetic materials needed for identified contingencies.
- **Use narrow triggers.** Activate priority for verified shortfalls, major disruption or defence emergencies, not ordinary price competition.
- **Pay for readiness.** Government or defence customers should fund the floor, capacity fee or premium for reserved supply.
- **Protect existing contracts.** Coordinate activation with Japanese, Korean and European commitments rather than displacing them without compensation.
- **Use inventories before prohibitions.** Stocks and forward rights can absorb short disruptions without destabilising civilian trade.

6.3 Implications for policymakers and businesses

For policymakers

- **Formalise the dual track.** Define which products, end uses and control rights require a protected chain; preserve ordinary lower-risk trade.
- **Buy limited rights, not the entire market.** Secure specified NdPr, Dy and Tb priority rights with transparent triggers, compensation and resale terms.
- **Require customers to carry the security cost.** Requests to redirect or reserve output must include enforceable long-term purchase commitments and price protection.

For businesses

- **Measure demand by contract quality.** Model volume, duration, floors and take-or-pay separately from non-binding support.
- **Separate sensitive batches, not necessarily the whole company.** Defence output needs distinct provenance, inventories and delivery rights; civilian products can retain diversified customers.
- **Do not assume a co-product backstop.** Test demand and price risk for lanthanum, cerium and products outside strategic magnet contracts.

The dual-track model preserves defence access without sacrificing the scale required for viable projects: users demanding additional security should pay for it.

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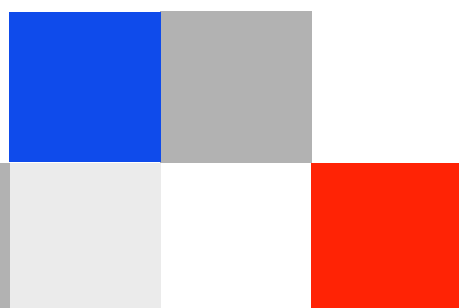




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Managing Exposure to US Policy Volatility

Section 7 at a glance

Reducing dependence on China should not make Australian projects depend entirely on the continuation of US policies. Mines and refineries have to repay investments over many years and across several US administrations. American support for Australian projects can be shorter, conditional or tied to specific programmes. Defence purchasing and finance can help projects, but an Australian industry also needs commercial customers across Japan, South Korea, Europe and other markets. A group of buyers from several countries could reduce the risks of relying on a single government or customer.

7.1 Avoiding a new dependence on policy continuity

As financing, offtake and pricing become more closely connected to US industrial policy, the durability of that policy becomes a project risk. A refinery whose construction, start-up period and debt repayment span more than a decade will operate across several administrations and budget cycles. Alliance alignment can improve access to capital and customers; it cannot by itself guarantee that annual funding, eligibility rules, procurement priorities or localisation requirements will remain unchanged.

The relevant risk is broader than abrupt cancellation. Support can be delayed, redirected from one form of support to another, narrowed to US-based manufacturing, or converted from construction reimbursement into a shorter supply arrangement. Each change may preserve the strategic relationship while altering the cash flows on which lenders and investors relied. A financing plan must therefore separate binding contractual revenue from policy intent and discount the latter for uncertainty and delay.

Interview participants from industry, finance and research converged on this point. Government support can attract private capital during a downturn, but cannot replace competitive costs, timely approvals and credible customers. Participants also cautioned against subsidising processing projects that cannot overcome structural disadvantages. Their common message was not that the US is uniquely unreliable, but that political commitments are uncertain supports rather than the commercial foundation of a project.

A stronger structure distributes exposure across the US, Japan, South Korea, Europe, Canada and selected Southeast Asian markets. The US can provide defence demand and, in some cases, a price floor. Japan and South Korea bring industrial users, inventories and repeated commercial purchases. European customers can add product-specific purchase contracts and finance. A defence customer can strengthen a project's credibility, but several customers are needed for volume and continuity.

7.1.1 How companies disclose US policy exposure

Australian companies already treat US policy volatility as material, but usually within broader categories such as government policy, geopolitical risk, financing, tariffs and commodity prices. The absence of a stand-alone 'US policy risk' heading should not be read as absence of exposure. Differences in disclosure instead reveal how directly a company depends on a particular US facility, contract or customer.



Box 7A.

How companies disclose policy exposure

Lynas—direct contract restructuring.

Its 2025 disclosures recorded significant uncertainty over the Seadrift, Texas facility and continuing negotiations with the US government.^{1,2} The 2026 annual report confirms that Seadrift will not proceed and that US support has been redirected to a four-year supply arrangement. This is a concrete change in instrument and location—not evidence that all US support disappeared.³

Arafura—portfolio diversification. Its 2025 reporting treated US tariffs, the MP Materials transaction, Chinese export controls and policy settings as inputs into price and financing assumptions. By 2026, Nolans had reached final investment decision using Australian, Canadian, Japanese, Korean and German support rather than a single US revenue anchor.^{4,5}

Northern Minerals and Iluka—broader risk categories. Northern Minerals warns that government funding can be affected by policy changes, changes of government and approval delays. Iluka groups exposure under trade policy, tariffs, geopolitical conflict and government-supported competitors rather than identifying a separate ‘US policy risk’.^{6,7}

The comparison supports a measured conclusion. Firms are not assuming uninterrupted support from a single administration; they are diversifying forms of support and commercial partners. The policy task is to make this diversification commercially coherent rather than require each company to assemble a patchwork of unrelated announcements.

7.1.2 Contract duration and investment recovery

Contract duration should be compared with three different timescales: construction and ramp-up, debt maturity and expected asset life. These are not interchangeable. A four-year take-or-pay contract may be sufficient to demonstrate market acceptance and support initial finance; it does not remove renewal risk over a multi-decade mine life. Conversely, a public loan with a long maturity reduces financing risk but does not guarantee sales or protect prices.

Box 7B.

The gap between project lives and current contract terms

Lynas. The March 2026 binding letter of intent covers approximately US\$96 million of light and heavy rare earth oxides over four years and envisages a US\$110 per kilogram neodymium-praseodymium price floor. It is materially stronger than a policy statement, but shorter than a project-life revenue commitment.⁸

Arafura. Nolans has a minimum 38-year mine life, whereas its initial customer contracts generally cover five to twelve years. This is normal for commodity projects, but it means the asset must re-contract repeatedly through changing policy and price cycles.⁹

Iluka. The first automotive end-customer agreement covers 1,200 tonnes of magnetic rare earth oxides over four years from 2028, with approximately 90 percent take-or-pay and minimum revenue of US\$155 million.¹⁰ Eneabba’s estimated capital cost is A\$1.7–1.8 billion, while its Export Finance Australia facility expires in 2038.^{11,12}

These comparisons do not estimate investment payback. They identify recontracting and refinancing exposure: a strong first contract can validate demand without covering the full operating or debt horizon.

The domestic US comparison is instructive. The US Department of Defense gave MP Materials 10 years of neodymium-praseodymium (NdPr) price protection and a 10-year offtake commitment for magnet output. Comparable commitments remain rare for projects located in Australia. Washington can contract over long periods, but its strongest packages are designed first to create domestic US production and manufacturing benefits.¹³

Japan provides the strongest integrated counterexample for an Australian producer. In March 2026, Lynas and JARE – a special-purpose company of the JOGMEC and Sojitz – extended their arrangement to 2038. It combines 5,000 tonnes a year of firm NdPr offtake, a US\$110 per kilogram floor, firm access to the equivalent of 50 percent of Lynas’ heavy rare earth oxide output and access to as much as 75 percent.¹⁴

The relationship began in 2011 with approximately US\$250 million in Japanese loans and equity and an availability arrangement covering roughly 8,500 tonnes a year for 10 years.¹⁵

Korean and European commitments are meaningful but generally shorter and more product-specific. Arafura's Hyundai/Kia agreement runs for seven years with an option to extend by five; its wind-turbine agreement was extended in September 2026 for five years, with an option that can take the term to eight years, covering up to 500 tonnes a year of NdPr oxide equivalent. These arrangements support market access, but their index-linked pricing does not provide the same downside protection as the Lynas-JARE floor.^{16,17}

The practical hierarchy is therefore more nuanced than 'America is volatile and Japan is stable'. The US can make powerful long-term commitments, especially inside its own industrial base. Japan has demonstrated the longest continuity for an Australian rare earth producer. Korean and European agreements add valuable customer diversity. For Australia, resilience comes from combining these forms of demand rather than ranking political partners in the abstract.

7.2 From Australian aggregation to a multinational buyers' consortium

Australia is building the capacity to pool demand, but a genuine multinational buyers' consortium does not yet exist. Pooling capital or matching buyers and sellers is not the same as binding members to purchases and sharing the public cost of price floors and take-or-pay commitments. Only a buyers' consortium would do the latter.

Box 7C. What exists today – and what does not

An Australian aggregation platform. The Critical Minerals Strategic Reserve can acquire and on-sell offtake rights, aggregate demand, stabilise prices and hold selective inventories. It draws on A\$1 billion of project support and A\$150 million for selective physical reserves.¹⁸

A first non-binding application. In May 2026, the Australian government announced support for up to 500 tonnes a year of Arafura's neodymium-praseodymium oxide, with government acting as an initial buyer or demand aggregator while strategic end customers are developed.¹⁹

A bilateral framework, not a pooled purchasing contract. The US-Australia Critical Minerals Framework envisages coordinated finance, offtake, stockpiles, price support and work towards a global pricing framework. It is expressly non-binding and can be discontinued after written notice. No multinational entity yet shares take-or-pay obligations, minimum-price costs or fixed purchase allocations across participating countries.²⁰

A credible consortium would require more than a political declaration. Participating governments or qualified downstream users would need to allocate minimum purchase volumes; agree how price-floor losses and upside are shared; adopt common origin and eligibility rules; and establish release, resale and emergency-priority procedures. Contracts should be long enough to cover construction and the early years of loan repayment, with regular renewal options rather than an unrealistic promise to buy throughout the full mine life.

The case for pooled demand is strongest where no single national market is large enough. Defence procurement can anchor credit and strategic legitimacy, but its volume is limited. Japanese, Korean and European industrial users can provide the larger purchase volumes projects need. Australia can supply the resource base and use the CMSR to bridge timing gaps. Pooling these functions would reduce exposure to any one administration without diluting the security objective.

7.3 Implications for policymakers and businesses

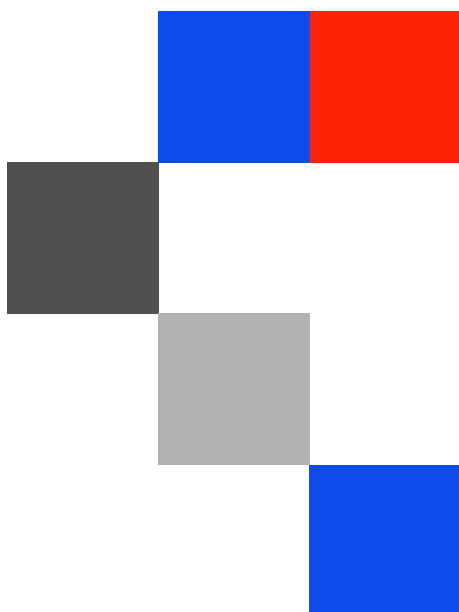
For policymakers

- **Convert frameworks into contracts.** Treat non-binding bilateral language as a negotiating platform, then seek enforceable volumes, prices, duration and termination provisions.
- **Build a multinational buyers' consortium.** Invite the US, Japan, South Korea, Europe and Canada to share purchase allocations, downside costs and resale rights rather than relying on Australian fiscal support alone.
- **Match support to the risk horizon.** Price protection and offtake should cover construction, ramp-up and the most exposed early debt-service years; rolling extensions can address the remaining asset life.
- **Use defence demand as an anchor, not a volume forecast.** Security users should pay for reserved capacity, while commercial customers provide the scale needed for viable plants.

For businesses

- **Discount policy-contingent revenue.** A grant announcement, letter of interest or negotiating framework can support credibility but should not enter the core revenue forecast before contractual conditions are satisfied.
- **Put all expiry dates on one timeline.** Show construction completion, ramp-up, debt maturity, offtake expiry and price-floor expiry on one schedule, then stress-test renewal delays and policy changes.
- **Stagger customers and contract expiries.** Combine a defence or government-backed anchor with Japanese, Korean and European industrial buyers so that no single renegotiation controls project viability.
- **Negotiate renewal terms early.** Price floors, take-or-pay, minimum aggregate revenue, renewal windows and replacement-customer rights matter more than the number of announced partnerships.

The remaining evidence gaps are commercially important: the conversion of Lynas' binding letter of intent into a definitive supply contract; how companies discount uncertain policy-dependent revenue; CMSR resale and price-sharing terms; and whether allied partners will accept joint fiscal obligations. Until those issues are resolved, diversification should be judged by the duration and enforceability of contracted revenue, not by the number of governments endorsing a project. A policy participant reduced the implementation problem to its essentials, saying, 'The biggest barrier here is not money, but time and sustained political will.'



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Conclusions and Recommendations

Section 8 at a glance

The US-Australia framework has made progress in creating more secure supplies, but it has not yet settled how jobs, technology and higher-value manufacturing will be shared. Australia should use its resources and public finance to secure lasting benefits, not just more mineral exports. The report recommends clearer protections for defence-related supply, diversified commercial markets and enforceable commitments that develop Australian processing, expertise, jobs and customer relationships. Progress should be measured by what is built and sold, not by what is announced.

8.1 Supply security has advanced; value sharing has not

The bilateral framework has strategic value because it organises cooperation around finance, offtake, price mechanisms, stockpiling, permitting and rapid response. It is nevertheless a non-binding policy plan, not a contract that allocates projects, revenue or industrial stages between the two countries.¹ That distinction defines the report's conclusion: the framework can create bargaining opportunities, but Australia's industrial capacity depends on the terms negotiated beneath it.

The strategic case for diversification is strong. China accounts for about 60 percent of mined magnet rare earths, more than 90 percent of refining and almost 95 percent of permanent-magnet production. Concentration at several consecutive stages means that adding a mine does not by itself create a resilient supply chain.² Section 2 showed how China's export-control system and allied market-building policies accelerated after April 2025; the problem is now operational rather than hypothetical.

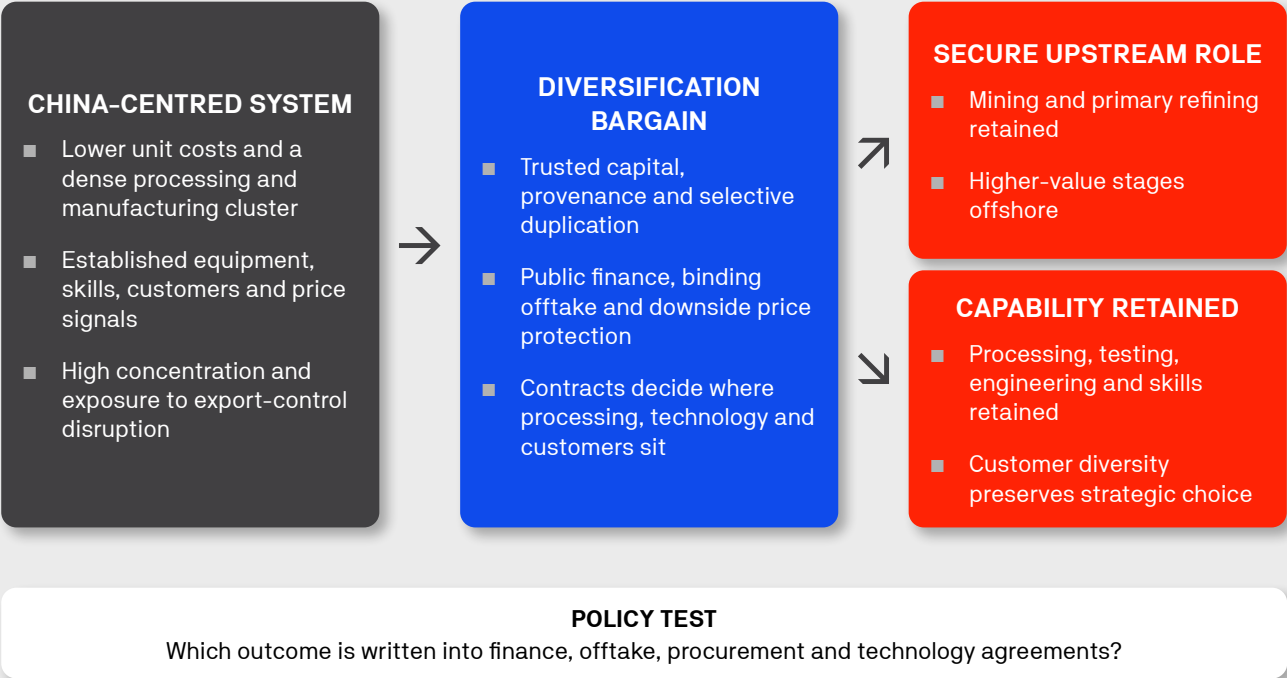
Cooperation has also moved beyond rhetoric, although the projects are at different stages. The Wagerup gallium plant and Arafura's Nolans project reached final investment decision in 2026; Lynas is producing separated dysprosium and terbium in Malaysia; and Iluka's Eneabba refinery is under construction with substantial Australian public finance.^{3,4,5,6} Browns Range remains a development project rather than operating commercial capacity. Treating every announced project as delivered supply would overstate progress.

The partners' vulnerabilities are complementary but not identical. The US needs secure inputs for defence and advanced manufacturing. Australia has resources and growing processing capacity but lacks comparable downstream demand, customer density and manufacturing depth. Section 1 therefore identified an asymmetric bargain: the US contributes capital, procurement and market access; Australia contributes resources, location and allied reliability. Agreement on supply security does not determine where metals, alloys, magnets, intellectual property, skilled work or profits will be retained.

The project evidence confirms that no default rule distributes industrial value. Washington has supported Australian mining and refining where these close urgent gaps. The Syerston package, however, links an Australian scandium mine to US metallisation and additive manufacturing, while support for E-VAC is designed to create magnet production in the US.^{7,8} Australia, meanwhile, carries approval risk, infrastructure needs and large public commitments. Section 3 showed that security premiums are selective; Section 4 showed that allied public capital remains fragmented; and Section 7 showed that policy and contract duration may be shorter than project and financing horizons.

Figure 5 reduces this choice to two possible outcomes. Diversification can leave Australia as a more secure upstream supplier while high-value stages and customer control remain offshore. Alternatively, the same investment can deepen processing, testing, engineering, workforce capability and customer diversity in Australia. The difference lies in enforceable agreements, not alliance language.

Figure 5. Diversification reallocates risk and industrial value

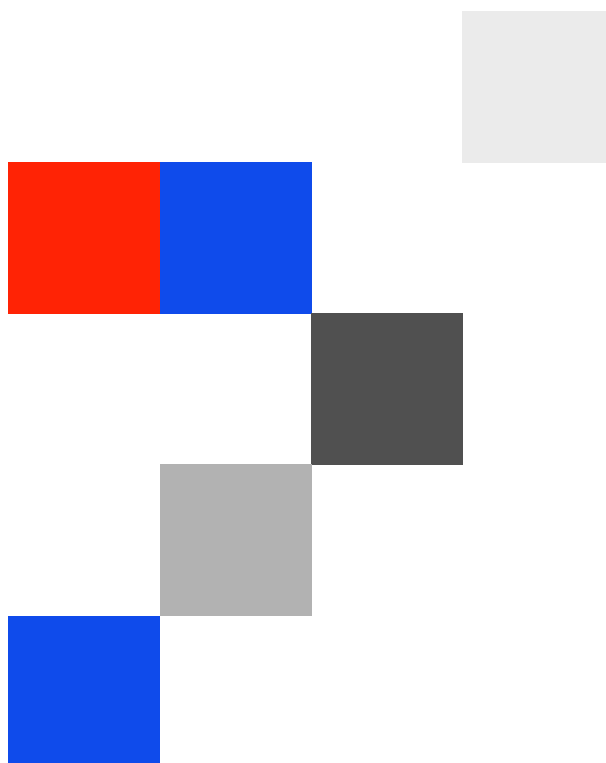


8.2 Implementation depends on federal–state sequencing

The Commonwealth and the states perform different functions. The Commonwealth sets national-security, foreign investment, export-control, fiscal and international-policy boundaries. States and territories control many of the approvals, land, infrastructure, energy, industrial precincts, workforce programmes and regional-development decisions that determine whether a project can be delivered. A project must satisfy both systems: federal decisions shape who may invest, finance and buy; state decisions determine how—and how quickly—the asset can be built and operated.

The principal risk is poor sequencing. Foreign investment involving critical minerals uses the ordinary statutory thresholds but generally receives closer scrutiny.⁹ If screening removes a category of capital, technology or customers before replacement equity, debt and offtake are available, the adjustment cost falls on the company, its shareholders and the host region. If a state accelerates approvals before the ownership and customer structure is able to secure financing, public infrastructure can also be stranded.

Governments should therefore use one project delivery schedule that integrates foreign investment review, environmental and Indigenous engagement, grid and transport infrastructure, customer testing and approval, financing conditions and construction milestones. Exclusion and replacement should be assessed as one policy decision. Companies should conduct federal ownership and offtake due diligence alongside state delivery planning and secure fallback capital before regulatory action creates a financing gap.



8.3 Three policy directions for Australia

1. Define a high-security core by function

Section 6's dual-track model should be implemented through product, process, end-use and control criteria, not a blanket list that treats every tonne of a named mineral as equally sensitive. The high-security core should cover defence and mission-critical infrastructure where disruption would have severe consequences and replacement would take too long. It should focus on material origin, control of core technology, qualified suppliers, reserved capacity and assured delivery.

The need for whole-chain evidence is clearest in US defence procurement. From January 1 2027, the relevant Defense Federal Acquisition Regulation Supplement restrictions extend from raw material through finished samarium-cobalt and neodymium-iron-boron magnets, subject to stated exceptions.¹⁰ As Section 5 shows, compliance must assess ownership, creditor rights, technology, batch provenance and customer control inside the same compliance analysis. A clean shareholder register cannot compensate for irreplaceable technological dependence; nor does a standard Chinese-made pump create the same risk as Chinese control of process software or exclusive offtake.

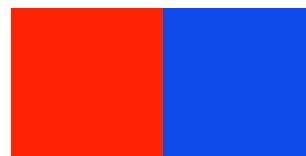
The Commonwealth should publish periodically reviewed categories of permitted, restricted and prohibited relationships for the high-security core, with examples of remediable structures. For projects accepting stricter rules, exclusion should be paired with replacement capital, qualified customers and compensation for reserved capacity. Section 3's price and offtake analysis and Section 4's financing analysis show why a security requirement without a revenue solution is not financeable.

2. Preserve diversified civilian markets and governed interdependence

A high-security core does not require the remainder of the industry to become China-free. Section 6 found that publicly identifiable Australian rare earth exports to China under the examined customs codes were already close to zero, although confidentiality and product classification prevent a claim that every flow is absent.¹¹ A blanket rare earth export ban would therefore add little immediate security while reducing future customer options. The relevant task is to preserve non-exclusive civilian trade wherever control, technology and coercion risks can be managed.

Section 5's 'trusted core, diversified periphery' provides the operating principle. Ownership, mineral rights, critical intellectual property, sensitive processing and defence batches should remain outside Chinese control. Replaceable equipment, standard chemicals and non-sensitive civilian sales may remain diversified if alternative suppliers, inventories, audit rights and substitution plans exist. This is governed interdependence, not an assumption that dependence is harmless.

The CMSR can support that distinction. It can acquire and resell purchase rights, pool demand, hold selected materials and use payments that bridge the gap between agreed and market prices. Its published architecture draws on A\$1 billion in project support and A\$150 million for selective inventories.¹² The reserve should secure priority rights for a defined share of mission-critical output rather than absorb every co-product or force the entire company into a defence procurement model.



3. Exchange public support and resource access for capability

Australia should treat the framework as a negotiating arena. Public finance, accelerated approvals and access to strategic resources should be exchanged for a package of enforceable commitments: long-term offtake; downside price protection; technology and engineering cooperation; processing, testing and qualification activity in Australia; workforce development; and access to diversified downstream customers. These are distinct deliverables. A buyer does not transfer process knowledge merely by signing an offtake agreement, and a loan does not create domestic manufacturing merely because it supports an Australian mine.

Instrument status must remain visible. In October 2025, EXIM announced seven letters of interest for Australian critical-minerals projects totalling more than US\$2.2 billion. EXIM's own guidance states that a letter of interest indicates willingness to consider a transaction and is not a commitment to finance.¹³ The defensible conclusion is simpler: announced letter values should not be counted as committed capital until due diligence, approval, documentation and financial close are complete.

Contracts should also address duration and risk allocation. Section 3 identified firm volume, take-or-pay, minimum revenue and price floors as the mechanisms that make strategic demand financeable. Section 7 showed that current US arrangements for Australian projects are often shorter or less complete than project lives and loan-repayment periods. The Lynas–Japan Australia Rare Earths arrangement, which extends to 2038 and combines volume, heavy rare earth access and price protection, is a more useful benchmark for patient industrial partnership than an announcement count.¹⁴

Australia should therefore promote a multinational buyers' consortium involving the US, Japan, South Korea, Europe and Canada. US defence demand can anchor strategic credibility and prices; Japanese, Korean and European industrial customers can provide volume; and the CMSR can bridge timing gaps. A consortium would become meaningful only when members share minimum purchase quantities, downside costs, origin rules and resale or emergency-allocation procedures.

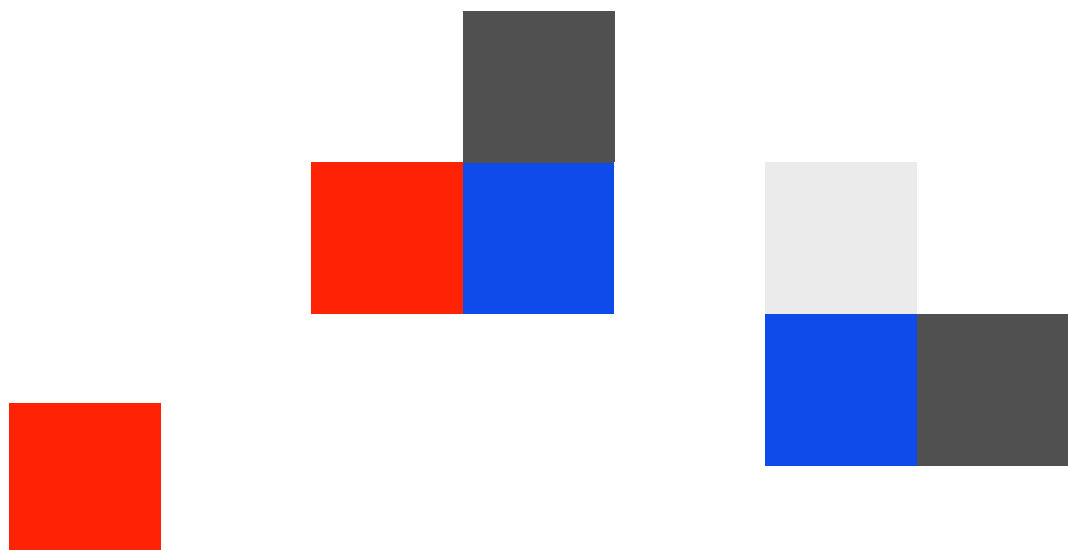


8.4 The final test is Australian industrial capability

The framework should not be evaluated primarily by announced investment, tonnes reserved for allies or the number of participating agencies. Those measures describe activity, not durable industrial upgrading. The better scorecard asks whether Australia retains additional separation and refining output; metals, alloys, powders, testing or qualification capability; process and engineering knowledge; skilled technical work; local suppliers; and a diversified customer portfolio after public support ends.

Some projects will not justify every downstream stage in Australia. Economic scale, environmental performance and customer location still matter. The objective is not complete self-sufficiency or a domestic copy of China's entire industrial ecosystem. It is to retain selected capabilities that make Australian supply harder to replace and preserve the option to redirect, upgrade or qualify output when markets or security conditions change.

Critical minerals will strengthen Australia's strategic position only if they become a bridge to such capability rather than another version of the quarry model. Secure supply is necessary. The final measure of success is whether Australia also builds processing knowledge, metallurgical and engineering skills, qualified products, manufacturing employment and market options that survive the policy cycle.



8.5 Implications for policymakers and businesses

For policymakers

- Define the high-security core by product, process, end use and control rights, with published examples of permitted, restricted and prohibited structures.
- Coordinate federal screening with state approvals, infrastructure, finance and customer milestones; pair any exclusion with replacement capital and offtake.
- Condition Australian co-financing and strategic resource access on measurable domestic processing, technology, qualification, workforce and customer commitments.
- Develop the CMSR from an Australian aggregation platform into a mechanism through which partners share purchase volumes, price-floor costs and emergency allocation.
- Report operating capacity, products approved by customers, binding revenue and skills retained—not just announced finance or tonnes nominally covered by policy agreements.

For businesses

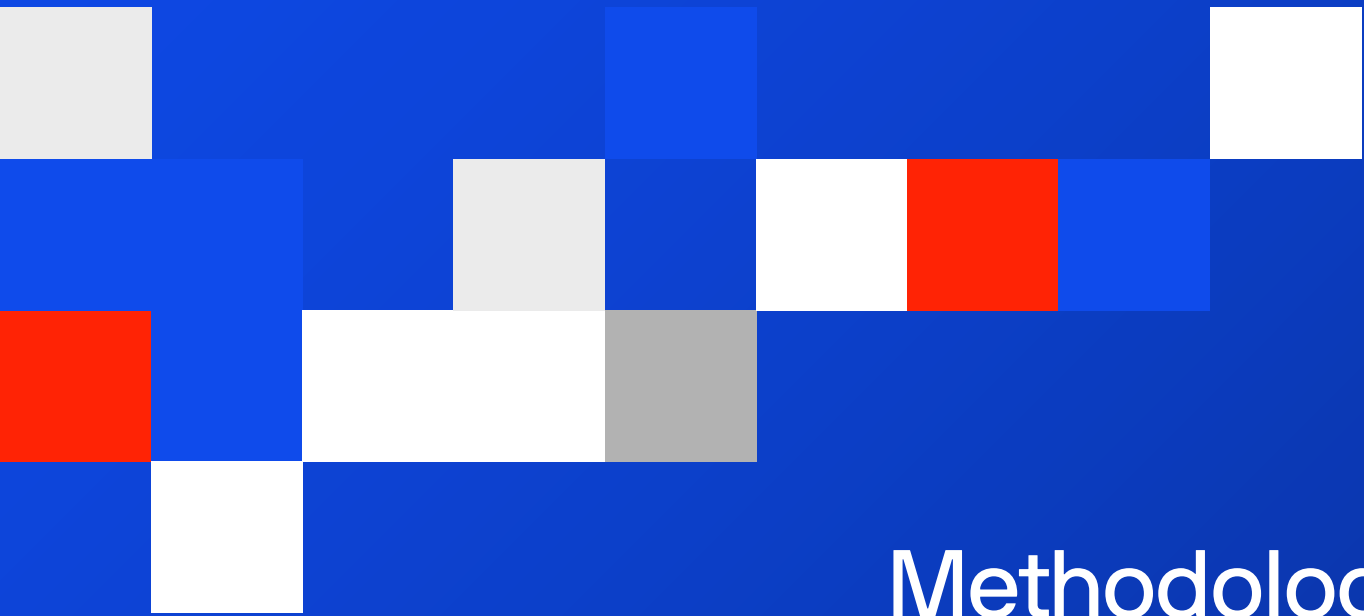
- Distinguish political statements, letters of interest, conditional commitments and definitive contracts in board papers and financing models.
- Maintain auditable ownership, batch provenance, technology, equipment and customer records as an asset that supports eligibility and customer qualification.
- Combine a defence or government-backed anchor with staggered Japanese, Korean, European and other civilian contracts so no single policy cycle controls project viability.
- Negotiate specific engineering, intellectual-property access, training, testing and qualification deliverables rather than rely on general promises of technology cooperation.
- Keep non-sensitive civilian products and replaceable inputs commercially diversified while protecting the trusted core from control and irreplaceable dependence.

The final policy choice is therefore not between alliance and autonomy. It is whether Australia uses alliance cooperation to expand its future choices. A framework that secures allied supply but leaves Australia with the same narrow industrial role will have solved only half the problem.

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- 10 US Department of Defense Acquisition Regulations System, '225.7018-2 Restriction'. From 1 January 2027, the relevant restrictions extend through the full supply chain for samarium-cobalt and neodymium-iron-boron magnets, subject to stated exceptions. <<https://www.acquisition.gov/dfars/subpart-225.70-authorization-acts-appropriations-acts-and-other-statutory-restrictions-foreign-acquisition>>.
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- 12 Australian Department of Industry, Science and Resources, 'Critical Minerals Strategic Reserve', accessed 26 September 2026. The page describes A\$1 billion in project support, A\$150 million for selective stockpiling, offtake, aggregation and contracts-for-difference tools. <<https://www.industry.gov.au/mining-oil-and-gas/minerals/critical-minerals/critical-minerals-strategic-reserve>>.
- 13 Export-Import Bank of the United States, 'EXIM Powers America First with \$2.2 Billion in Critical Minerals Commitments to Secure US Supply Chains with Australia', 20 October 2025; and 'Letter of Interest', accessed 26 September 2026. EXIM announced seven letters of interest exceeding US\$2.2 billion, while its product guidance states that a letter of interest is not a commitment to finance. <<https://www.exim.gov/news/exim-powers-america-first-22-billion-critical-minerals-commitments-secure-supply-chains>>; <<https://www.exim.gov/resources/applications-forms/letter-interest>>.
- 14 Lynas Rare Earths, 'Enhanced JARE Agreement for Japanese Industry', 10 March 2026. The arrangement extends to 2038 and combines firm volumes, heavy rare earth access and neodymium-praseodymium price protection. <<https://announcements.asx.com.au/asxpdf/20260310/pdf/06x8fmmzv1fm1.pdf>>.





Methodology and Data

Research design

This report compares policies and projects using qualitative evidence. It draws on interviews, roundtables and public-forum material involving 34 participants from industry, academia and think tanks, and government and public-sector institutions. Appendix 1 lists the organisations represented. It is an affiliation list rather than a row-by-row respondent count: numbers in parentheses identify multiple participants from one organisation, and some participants held more than one affiliation. Individual statements are attributed by sector or professional role where confidentiality requires; material from public forums is treated as public evidence.

Data

The report relies most heavily on legislation, regulatory decisions, executed agreements and securities disclosures. Official policy statements and agency guidance establish programme design but do not prove that a project has received or drawn down finance. Specialist reporting is used to identify issues and cross-check events and is corroborated against primary material where available.

To protect confidentiality and ensure consistent attribution, individuals who contributed through interviews, roundtables and public forums are not named in the report. They are identified only by their role, organisation type and country, with descriptors broadened where additional detail could permit identification. Quotations reproduce the wording recorded in the author's contemporaneous research notes; verbal fillers or minor grammatical irregularities may be removed without changing the substantive meaning. These research quotations are not footnoted individually, but their provenance is documented in the author's research records. Section endnotes provide sources to statements drawn from published material. The interviews for this research were conducted independently by the author and were not commissioned or funded by any external organisation. The views expressed are those of the participants and do not necessarily represent their organisations.

Documentary research covers bilateral instruments; US and Australian legislation, regulations and agency guidance; company announcements, annual reports and securities filings; official trade and geological statistics; multilateral and third-party datasets; and specialist reporting used to cross-check the evidence. Full citations appear in the endnotes to each Section.

Financing and offtake are classified by legal and commercial status. The report distinguishes among policy announcements, memoranda of understanding, letters of interest, conditional commitments, binding term sheets, definitive contracts, financial close and disbursement. It separately identifies price, volume, duration and conditions precedent because a large announced amount may transfer little market risk. Currency amounts remain in the denomination used by the source and are not aggregated across instruments unless their status and scope are comparable. Capacity figures distinguish among nameplate, commissioned, customer-qualified and actual operating output where disclosure permits.

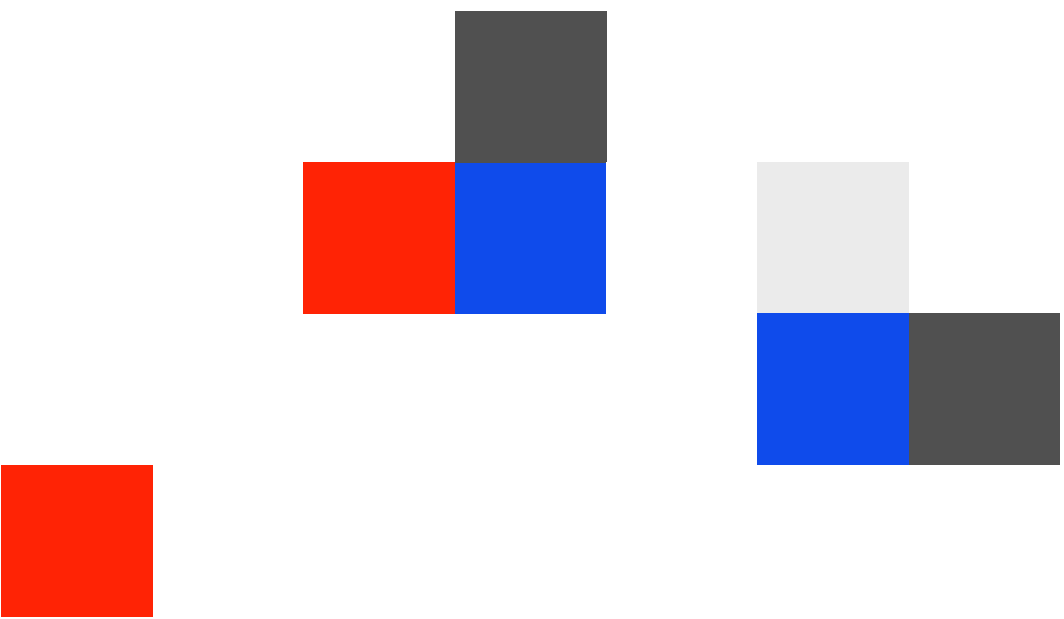
Research cut-off

Unless otherwise indicated in a table or endnote, all hyperlinks cited in the report were last accessed on September 27 2026. The substantive research cut-off remains September 26 2026. The report reflects information available as at the research cut-off; subsequent regulatory decisions, contract amendments, financing approvals or project delays may alter the status of individual cases.

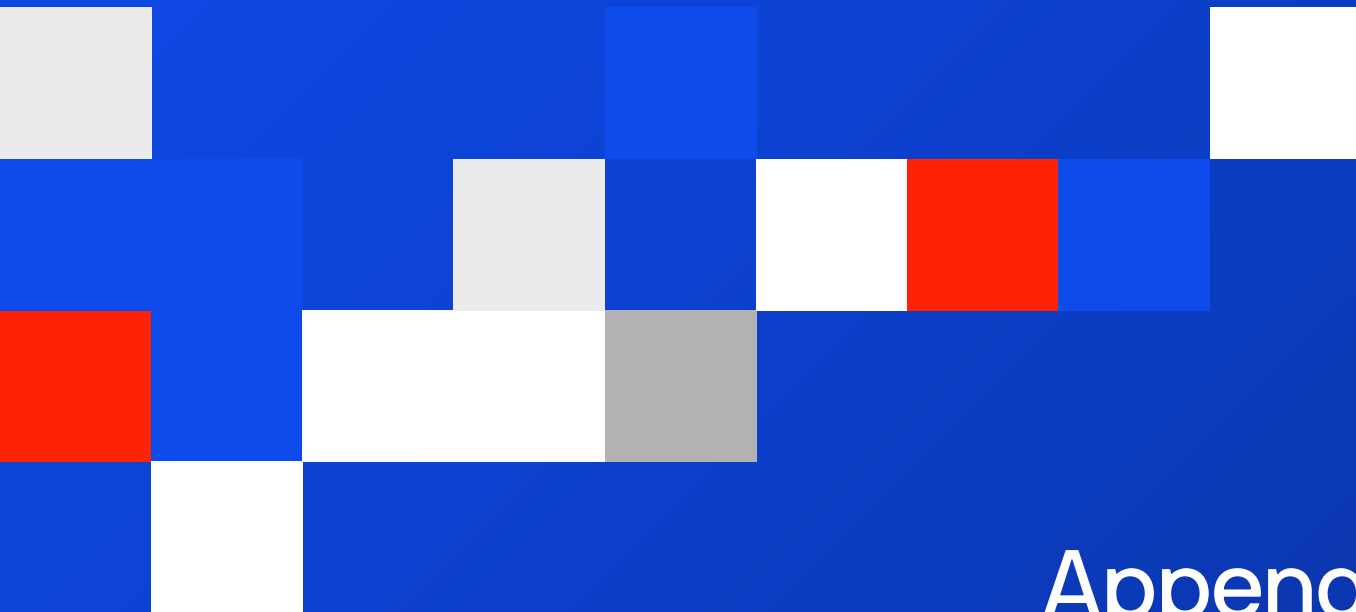
Limitations

Commercial confidentiality limits disclosure of price formulas, approval and termination rights, resale terms, technology licences and customer obligations. Public trade classifications do not always isolate rare earth concentrates, separated oxides and intermediates, and confidentiality provisions may suppress small flows. Company statements may also contain forward-looking assumptions that are not equivalent to delivered production or revenue.

The participant sample provides depth and informed interpretation but is not statistically representative. Rapid policy change also means that the evidence can change quickly. The report therefore separates verified terms from inference, identifies material conditions and unresolved disputes, and avoids treating letters of interest, announced amounts or strategic alignment as completed finance, guaranteed demand or proof of causation. The analysis is policy research, not legal or investment advice.







Appendix

Appendix 1. Interview and roundtable participant organisations

Table A1. Participant organisations by sector

Industry	Academia and think tanks	Government and public sector
Lynas Rare Earths (x2)	Colorado School of Mines; Critical Materials Innovation Hub	Government of Western Australia
The Anchor House, Inc.	Sustainable Minerals Institute, The University of Queensland	Western Australian Department of Energy and Economic Diversification (DEED)
Tivan Limited	Lyvi AI; Indo-Pacific Security Initiative, Atlantic Council	Sustainability and Technology Division, Malaysian Industry-Government Group for High Technology (MIGHT)
Strike Energy Limited	The University of Sydney	National Economic Council, Republic of Indonesia
Liontown Resources Limited	Australian National University	Ministry of Investment, Trade and Industry, Malaysia
Mineral Resources Limited (lithium)	Tracking Underreported Financial Flows (TUFF) Project	Department of Atomic Energy, Government of India
IGO Limited	China researcher, China Policy Research Centre, Global Affairs Canada	
Malaco Mining	China Policy Research Centre, Global Affairs Canada	
KLONI Inc.	Universiti Kebangsaan Malaysia (UKM)	
AFG Venture Group	Foreign Affairs and International Security Division, Bait Al Amanah	
Tianqi Lithium	Bait Al Amanah	
Ganfeng Lithium	Perth USAsia Centre	
	Institute of Strategic and International Studies (ISIS) Malaysia	
	Center for Strategic and International Studies (CSIS)	

Source: Author's research records. Organisation-level affiliations are shown to preserve participant confidentiality. The table is not a respondent count because some participants held more than one affiliation.

Appendix 2. Selected companies and projects discussed in the report

Table A2. Company and project roles in the analysis

Company or project	Role in the report
Lynas Rare Earths	The leading producer of separated rare earths outside China, with operations spanning Mt Weld and Kalgoorlie in Australia and separation in Malaysia. In March 2026 it signed a binding letter of intent with the US defence department to finalise a four-year oxide supply agreement: approximately US\$96 million of purchases and a US\$110/kg floor for neodymium-praseodymium (NdPr) oxide. The definitive agreement remained to be finalised.
Northern Minerals Limited and Browns Range	Developer of the Browns Range heavy rare earths project, focused on dysprosium, terbium and yttrium. It is the principal case for continuing foreign-investment scrutiny of China-linked shareholders. The Export-Import Bank of the United States (US EXIM) expressed conditional, non-binding interest in considering up to US\$230 million; proposed commercial output is intended for Iluka's Eneabba refinery.
Arafura Rare Earths and Nolans	Developer of the integrated Nolans mine-to-oxide project. Nolans reached final investment decision in May 2026 after assembling Australian public equity and debt, international export-credit support and a non-binding Critical Minerals Strategic Reserve commitment for up to 500 tonnes a year. US EXIM's support remained a non-binding letter of interest for up to US\$300 million.
Iluka Resources and the Eneabba refinery	A principal builder of Australian rare earth refining capability. The Eneabba refinery is under construction with an A\$1.65 billion Australian Government non-recourse loan and is designed to produce separated light and heavy rare earth oxides. Iluka also signed commercial offtake covering light and heavy magnet rare earths.
Sunrise Energy Metals and the Syerston project	Developer of the Syerston Scandium Project in New South Wales. In August 2026 the US Office of Strategic Capital announced a US\$400 million conditional loan commitment. The proposed package includes a US right of first offer and support for scandium metal refining capacity in the US; it is not a disbursed loan or purchase guarantee.
Energy Transition Minerals (ETM)	Developer of Greenland's Kvanefjeld rare earth project. ETM terminated its non-binding 2018 memorandum of understanding with Shenghe Resources in 2026 and asserted that Shenghe's anti-dilution Top-Up Right had lapsed. Shenghe disputes that position. ETM has pursued a Western-aligned financing strategy, but no public evidence establishes a direct US government instruction to end the relationship.

Company or project	Role in the report
Shenghe Resources	Chinese rare earth company, minority shareholder in ETM and former prospective offtake and technology partner for Kvanefjeld. Its nominated ETM director was not re-elected in April 2026. Shenghe was also MP Materials' former principal offtaker.
MP Materials	US rare earth producer and the report's leading example of state-backed price protection. Its defence transaction created a 10-year US\$110/kg NdPr floor and magnet purchase support; company disclosures also connect the arrangement to cessation of Chinese sales and non-renewal of Shenghe offtake.
Alcoa and the Wagerup gallium project	Planned high-purity gallium recovery facility at Alcoa's Wagerup alumina refinery in Western Australia, with anticipated capacity of 100 tonnes a year. The Australia-Japan-US-backed project reached final investment decision in July 2026; Alcoa will construct and operate the facility.
JS Link	South Korean permanent-magnet manufacturer. In July 2026 Lynas announced an A\$50 million equity investment supporting a 3,000-tonne-a-year neodymium-iron-boron (NdFeB) magnet plant in Malaysia and an exclusive commercial-price supply arrangement extending to 2038.
VHM Limited and the Goschen project	Australian rare earths and mineral-sands developer used as a comparator in the report's compliance analysis. VHM terminated its proposed Shenghe offtake after conditions precedent were not satisfied. It later advanced non-binding public finance discussions and an Australian downstream partnership with Iluka; no public document establishes that US EXIM directed the termination.

Source: Author's compilation from official agency and company disclosures cited in Sections 1–7. Status as at September 26 2026. Letters of interest, letters of support and conditional loan commitments are described as such and are not treated as completed financing.

Appendix 3. Selected public finance and market-building institutions

Table A3. Financial institutions, funds and implementation vehicles

Institution or vehicle	Role in the report
Export Finance Australia (EFA)	Australia's export-credit agency, administrator of the Critical Minerals Facility and commercial manager for the Critical Minerals Strategic Reserve. It can provide loans, guarantees and other structured finance, including through co-financing with overseas agencies.
Critical Minerals Facility (CMF)	An EFA-administered facility, expanded to A\$5 billion, that provides government-backed loans and equity support for eligible Australian critical-minerals projects. A\$1 billion of the facility supports Strategic Reserve transactions.
National Reconstruction Fund Corporation (NRFC)	The investment corporation responsible for the National Reconstruction Fund. It can provide debt and equity for manufacturing, critical-minerals processing and other priority capabilities, including project support discussed in the report.
Clean Energy Finance Corporation (CEFC)	Australian public financier able to invest in clean-energy technologies, industrial decarbonisation and related supply chain capabilities. Its mandate complements, but is distinct from, export credit and strategic reserve support.
Northern Australia Infrastructure Facility (NAIF)	Australian infrastructure financier participating in long-tenor project packages in northern Australia, including the Nolans financing structure and discussions concerning Browns Range.
Export-Import Bank of the United States (US EXIM)	The US export-credit agency. Its Supply Chain Resiliency Initiative (SCRI) can finance overseas mining and processing tied to US offtake and manufacturing. Letters of interest indicate willingness to appraise a transaction; they are not commitments to lend.
US International Development Finance Corporation (DFC)	US development-finance institution able to support mining, processing and infrastructure in eligible overseas jurisdictions. It is relevant as a potential source of allied project finance, not as a general commodity-price guarantor.
US Department of Energy (DOE)	Supports domestic US research, recycling, separation, demonstration and scale-up. In June 2026 it announced US\$134 million for selected rare earth supply chain projects, without committing to purchase minerals at a stated price.

Institution or vehicle	Role in the report
Japan Organization for Metals and Energy Security (JOGMEC)	Combines capital, resource-security policy and Japanese industrial demand. Its long-running support for Lynas, implemented with Sojitz and Japan Australia Rare Earths, is the report's clearest example of patient and integrated allied capital.
Japan Australia Rare Earths (JARE)	Financing and offtake vehicle established by JOGMEC and Sojitz for the Lynas relationship. The enhanced arrangement extends to 2038, with firm annual NdPr volumes, a price floor and firm access to 50 percent of Lynas' heavy rare earth oxide output.
Sojitz Corporation	Japanese trading company that implements distribution, customer coordination and offtake within the JOGMEC-JARE-Lynas arrangement.
Export-Import Bank of Korea (KEXIM)	Conditionally approved up to US\$150 million for Nolans through a direct-loan component and a loan guarantee, each with a tenor of up to 10 years. The support is linked to Korean automotive demand and Arafura's Hyundai-Kia offtake.
KfW and the German Raw Materials Fund	German public finance channel. KfW, acting for the German Government's Raw Materials Fund, agreed an equity investment of up to EUR50 million in Arafura, supporting long-term access to critical raw materials for German and European industry.
Export-Import Bank of China	Chinese policy bank and an important provider of overseas project and export finance. It appears in the report as part of the broader Chinese model that can combine capital, equipment, offtake and market access.
China Development Bank	Chinese policy finance institution involved in domestic industrial policy and overseas project finance. It provides context for comparing integrated Chinese finance with the more fragmented allied system.

Source: Author's compilation from official institution pages and project disclosures cited in sections 3, 4 and 7. Status as at September 26 2026.



Appendix 4. Selected policy bodies, international mechanisms and data sources

Table A4a. Policy and coordination bodies and mechanisms

Body or mechanism	Role in the report
Australian Treasurer, Treasury and Foreign Investment Review Board (FIRB)	The Treasurer makes decisions under the foreign investment framework, advised by FIRB and supported by Treasury. The Northern Minerals cases show continuing scrutiny of beneficial ownership, coordination and control: in May 2026 the Treasurer ordered six foreign shareholders to dispose of more than 1.67 billion shares, about 17.6 percent of the company.
Western Australian Department of Energy and Economic Diversification (DEED)	State department responsible for energy-transition strategy, economic diversification, investment attraction, major-project facilitation and industrial development.
Western Australian Government and resources agencies	Responsible for state approvals, land and infrastructure, resource stewardship, investment attraction and delivery. These functions explain why state project priorities may differ from federal security screening without implying competing foreign-policy alignments.
US Department of Defense and Office of Strategic Capital (OSC)	Principal US defence-sector investor and procurer discussed in the report. The department also uses 'Department of War' as an authorised secondary title in 2026 releases. OSC announced the conditional Syerston loan; other defence instruments support Wagerup, Lynas, MP Materials and US magnet capacity.
US-Australia Critical Minerals Supply Security Response Group	Bilateral mechanism established under the October 2025 framework to identify priority minerals and vulnerabilities and coordinate response plans, financing, stockpiling and market-support tools.
Project Vault	US industry-facing critical minerals stockpile announced in February 2026. Australian officials have discussed the Critical Minerals Strategic Reserve as a potential supply source for Project Vault, but no public evidence establishes an operational joint allocation mechanism.
Critical Minerals Strategic Reserve (CMSR)	Australian market-shaping mechanism with A\$1 billion from the expanded CMF for transactions and A\$150 million for selective physical stockpiling. Its tools include offtake, forward-rights trading, demand aggregation, stockpiling and contracts for difference. Its first project support was a non-binding commitment for Arafura.

Body or mechanism	Role in the report
Critical Minerals Production Tax Incentive (CMPTI)	A 10 percent refundable tax offset for eligible Australian processing and refining expenditure. It is available from July 1 2027 to June 30 2040, for up to 10 years for each registered processing activity; mining and beneficiation are excluded.
Minerals Security Partnership (MSP)	Partner-country mechanism for coordinating investment and policy around diversified, high-standard critical minerals supply chains. It is relevant to allied project selection but is not itself a single lender or buyer.
Quad (Australia, India, Japan and the United States)	Platform for Indo-Pacific coordination on critical minerals, logistics, infrastructure and supply chain security. Its initiatives complement bilateral finance rather than replace project-level contracts.
AUKUS partnership	The Australia-United Kingdom-United States security partnership provides part of the defence and technology context in which trusted critical minerals supply chains are assessed.
Association of Southeast Asian Nations (ASEAN)	Regional setting for Australian cooperation on processing, manufacturing, standards and market diversification. ASEAN is a potential platform, not a unified critical-minerals buyer.
European Union (EU)	Partner in de-risking, processing cooperation, investment and long-term access to strategic raw materials, including through the Critical Raw Materials Act and member state finance.

Source: Author's compilation from official government and agency sources cited throughout the report. Status as at September 26 2026. Proposed coordination is distinguished from an operating financing, procurement or allocation mechanism.



Appendix 4. Selected policy bodies, international mechanisms and data sources (continued)

Table A4b. Research, data and convening sources

Institution or source	Role in the report
International Energy Agency (IEA)	Primary multilateral source for value-chain concentration, demand scenarios, project pipelines and supply-disruption analysis used in the report.
International Seabed Authority (ISA)	International institution responsible for rules governing mineral-related activities in the international seabed area. It provides context for emerging resource governance beyond terrestrial mining.
Committee for Economic Development of Australia (CEDA)	Convenor of Western Australian critical minerals and rare earths roundtables that contributed to the report's stakeholder evidence.
Geoscience Australia	Australian Government source of geological, resource and mineral-potential data. Its resource and reserve data do not by themselves measure commercial production or processing capability.
KPMG and The University of Sydney	Sources of Australia-China investment data and trend analysis used to place project-level investment decisions in a wider bilateral context.
Reserve Bank of Australia (RBA)	Source of macroeconomic and industrial background on investment, trade, productivity and financing conditions.

Source: Author's compilation from official and institutional sources cited throughout the report. These organisations provide evidence, analysis or convening; they are not presented as project financiers or buyers.



Appendix 5. Interpreting rare earth concentration metrics

Rare earth concentration figures refer to different stages of the value chain and should not be used interchangeably. Resource and reserve shares do not measure annual supply; mine output does not establish separation or magnet capability; and nameplate capacity does not prove qualified commercial production.

Table A5. What rare earth concentration metrics can and cannot show

Metric	What it measures	What it cannot establish
Geological resources	Identified or estimated mineralisation, classified according to the confidence level and reporting conventions of the underlying study.	That the material is economically recoverable, permitted, financeable or available on a commercial timetable.
Ore reserves	The economically mineable part of a measured and/or indicated mineral resource after applying relevant technical, economic, legal, environmental and other modifying factors.	Annual supply, processing capability or continuing profitability if prices, costs, recoveries or regulatory conditions change.
Mine production	The quantity of rare earth material extracted during a stated period, usually reported as rare earth oxide (REO) equivalent.	Domestic capacity to separate individual elements, produce metals and alloys, manufacture magnets or achieve consistent commercial recoveries.
Separation and refining capacity	The ability to chemically separate mixed rare earth feed into individual oxides, salts or other refined products.	Actual output, utilisation, commercial yield, product consistency or downstream metal, alloy and magnet capability.
Metal and alloy capacity	The ability to convert separated oxides into metals, alloys or powders used in downstream manufacturing.	That output has achieved customer qualification, consistent quality, sufficient scale or access to downstream buyers.
Magnet production	The ability to manufacture commercial permanent magnets to specified grades, tolerances and volumes.	That every magnet meets defence, aerospace or other mission-critical requirements for performance, provenance, security and qualification.

Sources: Australasian Joint Ore Reserves Committee, JORC Code (2012). <https://www.jorc.org/docs/JORC_code_2012.pdf>; US Geological Survey, Mineral Commodity Summaries 2026: Rare Earths; International Energy Agency, Rare Earth Elements: Pathways to Secure and Diversified Supply Chains (8 April 2026). <<https://www.iea.org/reports/rare-earth-elements>>.

Interpretive note: For this report, supply chain control is assessed across mining, separation, metals and alloys, magnets, qualification and demand. Australia's resource base does not by itself remove dependence on external equipment, process know-how, metallisation, magnet manufacture or customers. Capacity figures should distinguish nameplate, commissioned, qualified and actual operating output.

Appendix 6. Selected rare earths of strategic relevance

The 17 rare earth elements are not commercially or strategically interchangeable. Exposure depends on the specific element, processing stage, product specification and end use. This table is selective rather than exhaustive.

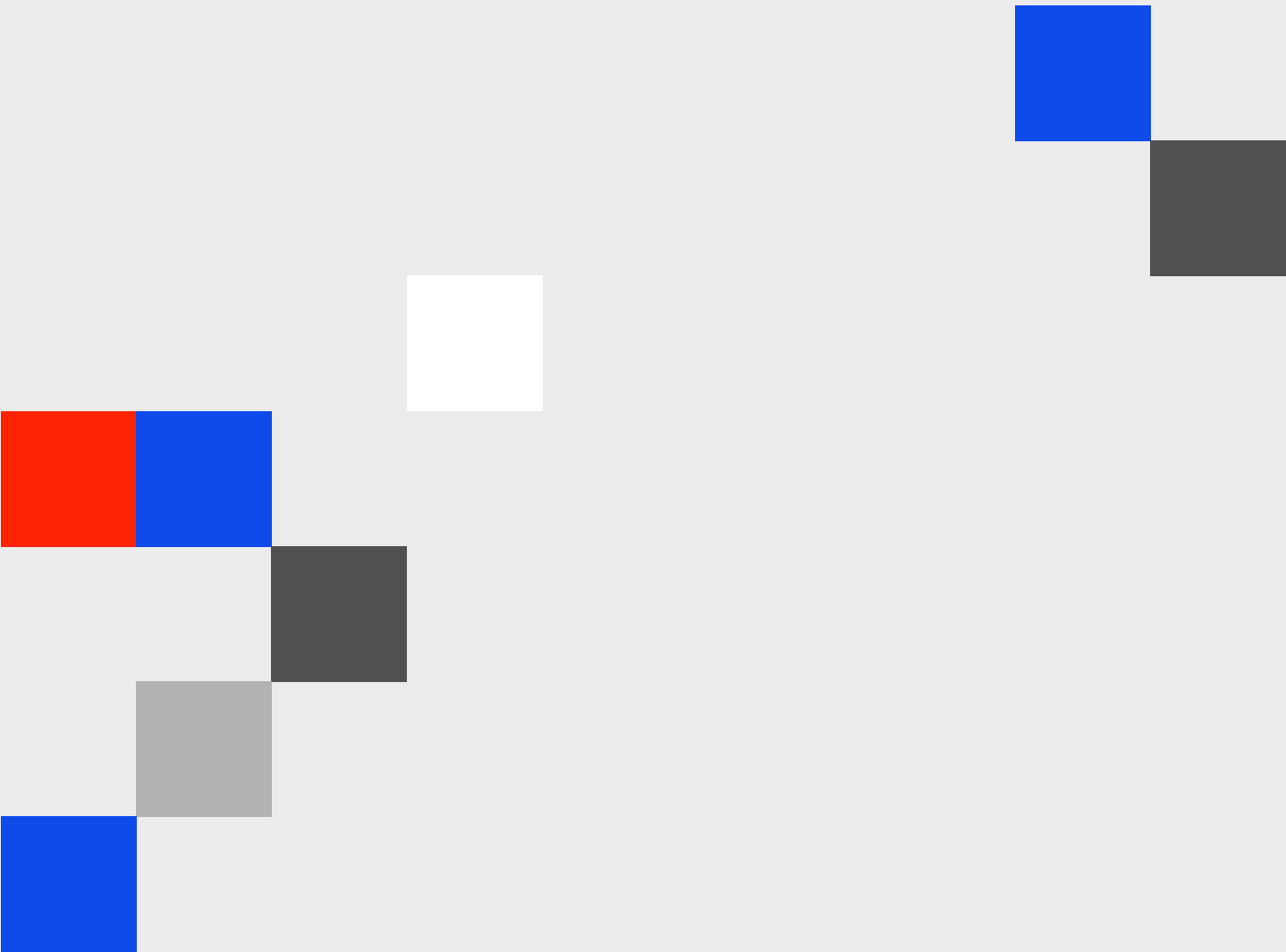
Table A6. Selected elements, supply chain functions and relevance

Element	Principal supply chain function	Relevance to this report
Neodymium (Nd)	A principal rare earth input, with iron and boron, into high-performance NdFeB permanent magnets.	A major source of magnet demand from electric vehicles, wind turbines, robotics, electronics and selected defence systems.
Praseodymium (Pr)	Used with neodymium in NdPr oxide and alloys for high-performance permanent magnets.	Central to magnet-project economics; demand and prices are frequently reported through the combined NdPr market.
Dysprosium (Dy)	Small additions improve coercivity and high-temperature performance in NdFeB magnets.	A heavy rare earth chokepoint for demanding automotive, aerospace and defence uses; specified dysprosium-related items were covered by China's April 2025 export controls.
Terbium (Tb)	Improves coercivity and heat resistance in high-performance magnets, including through grain-boundary diffusion.	Highly concentrated, costly and difficult to substitute in demanding applications; specified terbium-related items were covered by China's April 2025 controls.
Samarium (Sm)	The essential rare earth component of samarium-cobalt (SmCo) magnets, which retain performance at high temperatures and in harsh environments.	Relevant to aerospace and selected defence systems. Its market and manufacturing chain differ from those of NdFeB magnets; specified samarium-related items were covered by China's April 2025 controls.
Yttrium (Y)	Used in advanced ceramics, lasers, phosphors, coatings and selected high-temperature materials.	Strategically relevant and covered by China's April 2025 controls, but governed by different demand and substitution dynamics from magnet rare earths.

Element	Principal supply chain function	Relevance to this report
Gadolinium (Gd)	Used in medical imaging, neutron absorption, specialty alloys and selected magnetic applications.	Specified gadolinium-related items were covered by China's April 2025 controls, but the element should not be assessed using the same market-risk indicators as Nd, Pr, Dy and Tb.

Sources: International Energy Agency, Rare Earth Elements: Pathways to Secure and Diversified Supply Chains (April 8 2026). <<https://www.iea.org/reports/rare-earth-elements>>; Ministry of Commerce of the People's Republic of China and General Administration of Customs, Announcement No. 18 of 2025 (April 4 2025). <https://english.mofcom.gov.cn/Policies/AnnouncementsOrders/art/2025/art_0dd87cbee7b045bf93fabe6ab2faceee.html>.

Scope note: China's April 2025 controls covered specified samarium-, gadolinium-, terbium-, dysprosium-, lutetium-, scandium- and yttrium-related items. Neodymium and praseodymium are included here because they are the principal volume inputs into neodymium-iron-boron (NdFeB) magnets and are central to project economics. Applications are illustrative, not exhaustive.



About the Author

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Dr Marina Yue Zhang is Associate Professor – Research at UTS:ACRI.

Dr Zhang holds a bachelor's degree in biological sciences from Peking University and an MBA and a PhD from the Australian National University. Before joining UTS, she held academic appointments at Tsinghua University, UNSW Canberra, and worked in senior managerial positions at IBM and Ericsson.

Her research focuses on emerging technologies, including artificial intelligence, semiconductors, biotechnology, advanced manufacturing and critical minerals, and their impact on economic competitiveness, industrial policy and geopolitical strategy, exploring their impact on Australia-China relations.

Dr Zhang is the author of three books. Her most recent, *Demystifying China's Innovation Machine: Chaotic Order*, with Mark Dodgson and David Gann, was published by Oxford University Press (2022). The book was endorsed by Lee Howell, Senior Advisor & Former Managing Director, World Economic Forum, and Justin Yifu Lin, Institute of New Structural Economics, Peking University, Former Chief Economist, World Bank.

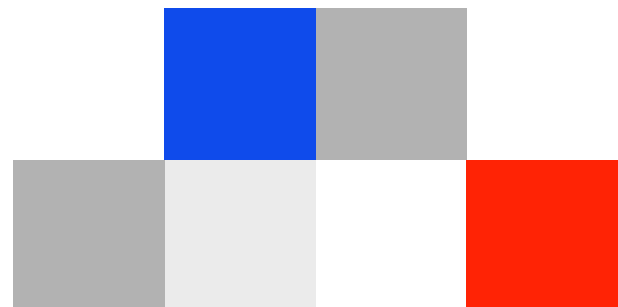


About UTS:ACRI

The Australia-China Relations Institute (UTS:ACRI) is an independent, non-partisan research institute established in 2014 by the University of Technology Sydney. Chinese studies centres exist in other Australian universities. UTS:ACRI, however, is Australia's first and only research institute devoted to studying the relationship of these countries.

In the past Australia's dominating economic relationships have been with the British Empire, the United States and Japan. Australia's most important trading relationship is now with China, a nation very different in governance, politics and values. As China's economy grows, so too does its strategic weight and the challenges and opportunities this presents to Australia.

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