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The rise of federal equity in mining

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Summary

- Federal equity participation in mining and mineral supply-chain companies reflects a broader shift in U.S. critical minerals policy, moving the government beyond traditional roles as regulator, lender, and purchaser toward a direct economic stake in strategically important projects.
- While these investments may help advance domestic supply-chain and national-security objectives, they also raise practical questions regarding agency independence, governance, disclosure, and competition.

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The United States has long supported mineral development through tax incentives, grants, loans, loan guarantees, defense procurement, offtake support, and access to public lands. But the federal government's increasing use of equity or equity-like interests in mining and mineral supply-chain companies is newer and more legally complex. Although federal support for critical minerals has expanded significantly in recent years, the current Trump administration has shifted this approach by structuring support in ways that give the government a direct economic interest in projects. In selected cases, the government is moving beyond its traditional roles as regulator, financier, and purchaser to become an economic participant.

This development reflects several important policy concerns. Critical minerals are essential to batteries, defense systems, grid infrastructure, semiconductors, and advanced manufacturing. At the same time, the United States remains dependent on foreign sources and foreign processing capacity for many of these materials. Policy makers have increasingly focused on strengthening domestic supply chains, and federal support mechanisms have expanded accordingly. While permitting reform, grants, loans, and procurement preferences remain important tools, recent transactions suggest that equity participation is becoming part of the federal toolkit for certain projects.

Historical precedent, modern purpose

The Thacker Pass lithium project in Northern Nevada is one of the most notable examples. The Department of Energy previously committed to substantial loan financing. The revised structure reportedly provided the federal government with the equivalent of a 5 percent equity stake in Lithium Americas and a separate 5 percent economic stake in the Thacker Pass joint venture. Viewed in isolation, the transaction could be characterized as a project-specific financing arrangement. Considered alongside other recent transactions, however, it appears to reflect a broader pattern.

Similar structures have emerged elsewhere in the critical-minerals supply chain. The Department of Defense agreed to invest in MP Materials, the operator of the Mountain Pass rare earth mine in California, through convertible preferred stock and warrants, giving the government an ownership interest in the country's leading domestic rare earth producer. The federal government also announced an investment in Trilogy Metals, tied to the Ambler Mining District in Alaska. In the rare earths and permanent magnet sector, USA Rare Earth has announced a package involving federal funding, loan support, common shares, and warrants. Other transactions have included warrant rights, joint venture interests, or equity participation in mineral processing, and magnet manufacturing projects. Collectively, these arrangements suggest the emergence of a recurring equity financing model for strategically significant projects.

Federal equity participation is not wholly without precedent in the United States. During the Great Depression, the Reconstruction Finance Corporation (RFC) purchased preferred stock and other securities financial institutions as part of a broader effort to stabilize the financial system. Decades later, during the 2008 financial crisis, the Troubled Asset Relief Program (TARP) placed the federal government in the position of shareholder in major companies, including AIG, Citigroup, General Motors, and Chrysler. Therefore, while federal equity ownership is not foreign to American law or policy, these examples underscore what is distinctive about the current critical-minerals model. The RFC and TARP were principally crisis-response mechanisms, designed to stabilize distressed institutions and later unwind the government's ownership position. By contrast, recent equity and equity-linked investments in mining and mineral supply–chain companies appear to be emerging as an affirmative industrial-policy tool.

This newer trend has prompted comparisons to sovereign wealth funds, although the comparison has limits. Traditional sovereign wealth funds—such as those operated by Norway, Singapore, or several Gulf states—typically invest national wealth to generate financial returns and diversify public assets. The emerging U.S. approach differs in both purpose and scale. Federal equity interests in critical minerals projects are generally associated with industrial policy, supply-chain resilience, and national-security objectives rather than long-term portfolio management. Even so, the comparison highlights a common set of issues involving government ownership, governance rights, transparency, and the relationship between public and commercial objectives.

The use of equity interests also represents a notable evolution in how federal support is structured. Historically, government assistance for mining and mineral processing projects has often taken the form of grants, loans, loan guarantees, tax incentives, or procurement commitments. Equity participation introduces a different relationship between the government and the recipient company. Depending on the structure, the government may hold warrants, preferred shares, common shares, or economic interests tied to project performance. These arrangements can provide the government with exposure to project value while also serving broader policy objectives related to domestic production and supply-chain development.

Navigating dual roles

Equity participation also raises governance and accountability questions. Unlike grants or loan guarantees, equity interests may involve voting rights, warrants, conversion rights, information rights, or other ownership-related features. The specific terms vary from transaction to transaction, but they prompt practical questions about how ownership interests are managed, how decisions regarding those interests are made, and what disclosure obligations apply to both the government and the recipient company. As these arrangements become more common, governance structures are likely to receive increased attention from policy makers, regulators, and market participants.

Another area of interest is the effect of federal equity participation on competition and capital allocation. Government investment in selected projects may influence financing markets, particularly in sectors where capital is limited and development timelines are long. As federal participation expands, questions may arise regarding project selection criteria, eligibility standards, and the relationship between public investment objectives and private investment decisions. These issues are not unique to mining, but they take on particular significance in industries characterized by high capital costs, long development periods, and strategic policy importance.

Practical implications

In practical terms, these arrangements may require project proponents and counsel to give careful thought to project development from the outset. Companies receiving equity-linked federal support should expect the government’s financial interest to become part of the public narrative surrounding the project, including in community engagement, investor communications, and litigation. Transaction documents should clearly identify the nature of the government’s rights, including whether the interest is passive or carries voting, information, conversion, or consent rights. Public companies may also need to evaluate how federal ownership, warrants, or other economic interests are disclosed to investors, particularly where the government’s role could affect permitting, project timing, governance, or political risk.

As additional transactions emerge, attention is likely to focus on how these investments are structured, how ownership interests are managed, and how the government’s roles as investor, regulator, lender, and steward of public resources are coordinated. Whether the shift is viewed as an extension of existing industrial policy tools or as a distinct new model of federal involvement remains to be seen.

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