Washington's Rare Earth Problem Is Becoming a National Security Risk

13:00 Uhr | CNW

The U.S. has already launched hundreds of missiles and precision-guided weapons in the escalating conflict with Iran, an air campaign that has consumed billions of dollars in advanced military hardware in just weeks. But a new warning circulating in Chinese and Western media suggests the materials needed to keep producing those weapons may be running dangerously low. Companies mentioned in today's commentary includes: Realloys Inc. (ALOY), Energy Fuels Inc. (NYSE American: UUUU), USA Rare Earth (NASDAQ: USAR), Critical Metals Corp. (NASDAQ: CRML), MP Materials Corp. (NYSE: MP), Lynas Rare Earths Ltd. (OTCQX: LYSDY).

Analysis from outlets including the South China Morning Post and Reuters have reported that certain rare-earth inventories available for defense manufacturing could face strain if supply disruptions continue. Rare earth elements are embedded throughout modern military systems-from missile guidance and drone propulsion to radar systems and fighter aircraft electronics.

"You can't fight a twenty-first-century war with twentieth-century supply chains," said Lipi Sternheim, CEO of REalloys. "Modern weapons rely on materials that are difficult to source, difficult to process, and difficult to replace once inventories begin to tighten."

REalloys (ALOY) is one of the few companies rebuilding the rare-earth metals stage of the supply chain in North America, converting rare-earth oxides into the metals and alloys used by magnet manufacturers and defense suppliers.

That vulnerability isn't new. For decades, the United States allowed much of its rare-earth processing and metallization capacity to migrate overseas, leaving China to dominate the stages of the supply chain that convert raw materials into the metals and magnets used in advanced technology. Today, much of the rare-earth material used in Western defense systems still traces through Chinese processing facilities. The Pentagon is now racing to reverse that dependence ahead of a 2027 deadline that will prohibit U.S. weapons systems from using magnets made with Chinese-origin rare earths. REalloys' flagship facility in Euclid, Ohio, is already ahead of the deadline.

REBUILDING AMERICA'S RARE EARTH METALS CAPACITY

Mountain Pass in California produces rare-earth concentrate that is separated domestically into NdPr oxide. That is an important step in rebuilding North American capability - but oxide itself is not the material defense contractors actually use.

Before it can enter manufacturing, oxide must first be chemically reduced into pure rare-earth metal. That metal is then blended into precise alloys used to produce high-performance permanent magnets.

For decades, that conversion-from oxide to metal-has taken place almost entirely in China. Even when rare-earth ore was mined in the United States and separated into oxide domestically, the metallurgical step that turns that chemistry into usable industrial metal was still performed overseas. That is the break in the supply chain. REalloys is positioned to help close it.

At its Euclid facility, the company converts rare-earth oxides into finished metals and magnet-grade alloys through high-temperature reduction and refining processes. Those materials are the feedstock required by magnet manufacturers and advanced industrial users.

It is also one of the most technically difficult stages of the entire rare-earth value chain. Metallization requires

tightly controlled reduction reactions, high-temperature furnaces, and continuous process control capable of maintaining stable yields and purity levels across multiple rare-earth elements.

"Metallization is the least developed part of the value chain outside China," said REAlloys co-founder Tim Johnston. "It requires deep operating expertise and process control systems capable of managing complex variables in continuous production. Even with capital and strong execution, replicating that capability typically takes three to seven years or more, with significant technical and qualification risk."

The Euclid facility is already operating, converting rare-earth oxides into metals and alloys inside North America rather than sending those materials overseas for processing. Upstream, REalloys owns the Hoidas Lake rare-earth project in Saskatchewan, anchoring primary resource exposure inside Canada.

In Greenland, the company has signed a long-term non-binding letter of intent covering roughly 15% of future production from the Tanbreez rare-earth project, one of the largest deposits of heavy and medium rare earths outside China.

Additional supply agreements extend to Kazakhstan, where the company is working with AltynGroup on access to material from the Kokbulak project and surrounding concessions. In Brazil, an alliance tied to the Araxá rare-earth project adds another potential non-Chinese source of feedstock.

"We've already solved the hardest part-proving that rare-earth metallization and alloying can be done domestically to the specifications real customers require," Johnston said.

REalloys (ALOY) isn't stopping at metallization, either. The company is also developing a large-scale permanent magnet manufacturing facility in the United States, designed to start with roughly 3,000 tons of neodymium-iron-boron (NdFeB) magnet production annually and expand to as much as 18,000 tons per year.

At full capacity, that level of output could supply magnets for roughly 1.5 to 2 million electric vehicles annually, thousands of wind turbines, and large volumes of industrial motors, robotics systems, and medical devices. Defense systems-from missile guidance units to radar and avionics-also rely heavily on high-performance rare-earth magnets.

The facility is designed to integrate multiple stages of the rare-earth value chain, including metallization, alloying, powder production, and final magnet manufacturing. If completed at the projected scale, it would represent one of the largest NdFeB magnet production sites outside Asia and a significant step toward rebuilding a fully integrated rare-earth supply chain in North America.

With Euclid converting oxide into metal inside the United States, the rare-earth supply chain begins to close a loop that has been broken for decades-just as Washington prepares to bar Chinese-origin rare earths from U.S. defense systems in 2027.

Other rare earth and resource companies to keep an eye on:

Energy Fuels Inc. (UUUU) has emerged as a disruptive "crossover" player, leveraging its uranium processing expertise to become a major producer of rare earth elements. At its White Mesa Mill in Utah, the company has successfully commissioned a Phase 2 circuit capable of producing up to 6,000 tonnes per annum of NdPr oxide. More importantly for the defense sector, Energy Fuels has become a primary domestic source for "heavy" rare earths like dysprosium and terbium, which are far rarer and more strategically sensitive than their "light" counterparts.

The company's 2026 outlook is bolstered by its "Vara Mada" and "Donald" projects, which provide a diversified stream of monazite sand for processing. By producing both uranium for carbon-free energy and rare earths for military hardware, Energy Fuels has positioned itself as a dual-threat infrastructure play. Its low-cost production profile allows it to compete globally while adhering to the highest environmental and security standards required by its government and defense clients.

USA Rare Earth (USAR) has seen its stock soar in early 2026 following a massive $3.1 billion funding package involving both private capital and U.S. government loans. The company is developing the Round Top deposit in Texas, which is unique for its high concentration of heavy rare earths and lithium. This "multi-commodity" approach allows USAR to serve both the EV battery market and the defense industrial base simultaneously.

The company's immediate focus is the operationalization of its magnet manufacturing facility in Stillwater, Oklahoma. By "de-risking" the transition from mining to finished magnets, USAR is attempting to create a second fully integrated supply chain alongside MP Materials. For the Pentagon, USAR represents a critical redundant source of the materials needed for everything from night-vision goggles to missile guidance systems.

Critical Metals Corp. (CRML) entered the spotlight in late 2025 by securing control of the Tanbreez deposit in Greenland, one of the largest rare earth deposits on the planet. What makes Tanbreez particularly attractive to the defense sector is its 27% heavy rare earth content, which is significantly higher than most global deposits. In early 2026, the company broke ground on a pilot plant and signed a major joint venture with a Saudi Arabian conglomerate to build out midstream processing capacity.

The company's strategy is built on providing a "geopolitically neutral" source of minerals for the West. By targeting commercial-scale heavy rare earth production by Q4 2026, CRML is racing to fill the most acute gap in the U.S. defense supply chain. As a Nasdaq-listed entity with strong offtake agreements already in place, the company represents the "frontier" of the global race for mineral security.

MP Materials Corp. (MP) has largely completed its strategy of rebuilding a fully domestic rare earth magnet supply chain. While Mountain Pass remains one of the world's premier rare earth deposits, the company's emphasis has shifted toward value-added refining and magnet manufacturing.

Its Fort Worth, Texas facility is ramping production of finished NdFeB magnets manufactured from internally separated oxides, creating an end-to-end U.S. supply chain. Initial annual magnet capacity is near 1,000 metric tons, with staged expansion tied to automotive and defense demand.

Department of Defense support continues to accelerate development of heavy rare earth separation capabilities, including dysprosium and terbium. Multi-year government supply agreements reinforce MP's position as both a commercial supplier and a strategic national security partner.

Lynas Rare Earths Ltd. (LYSDY) remains the leading producer of separated rare earth materials outside China. The company has restructured its processing chain to mitigate regulatory risk and expand long-term throughput.

The Kalgoorlie cracking and leaching plant in Western Australia is fully operational, allowing Mt Weld concentrate to be processed domestically and radioactive residues to be managed before shipment. This shift has enhanced supply security while addressing prior Malaysian regulatory concerns.

In the United States, Lynas is progressing construction of its Seadrift, Texas heavy rare earth separation facility, supported by Department of Defense funding. The plant will produce dysprosium and terbium critical to high-temperature magnets used in EV and defense applications.

By. Michael Kern

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