

MINING

Grip is tight on rare earth metals

China's anti-pollution effort crimps supply, sends prices soaring

BEIJING — In the name of fighting pollution, China has sent the price of compact fluorescent light bulbs soaring in the United States.

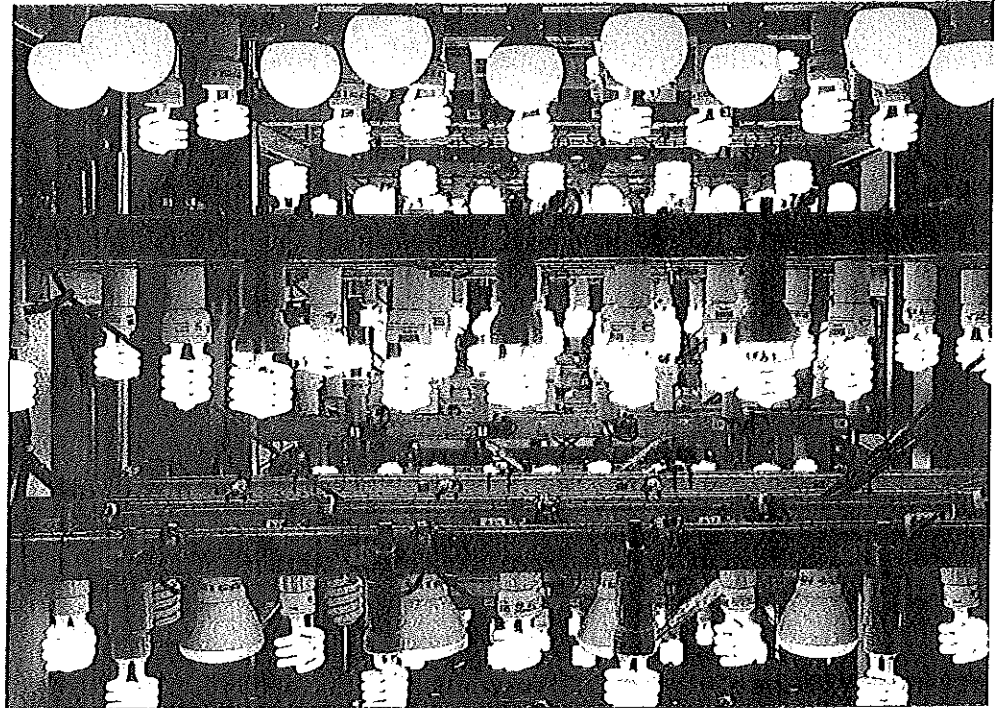
By closing or nationalizing dozens of the producers of rare earth metals — used in energy-efficient bulbs and many other green-energy products — China is temporarily shutting down most of the industry and crimping the global supply of the resources.

China produces nearly 95 percent of the world's rare earth materials, and it is taking the steps to improve pollution controls in a notoriously toxic mining and processing industry. But the moves also have potential international trade implications and have started yet another round of price increases for rare earths, which are vital for products that include giant wind turbines, hybrid gasoline-electric cars and compact fluorescent bulbs.

General Electric, facing complaints in the U.S. about rising prices for its compact fluorescent bulbs, recently noted that if the rate of inflation over the last 12 months on the rare earth element europium oxide had been applied to a \$2 cup of coffee, that coffee would now cost \$24.55.

An 11-watt GE compact fluorescent bulb — the lighting equivalent of a 40-watt incandescent bulb — was priced Thursday at \$15.88 on Walmart's website for pickup in a Nashville, Ark., store.

Walmart, which has made a big push for compact fluorescent bulbs, acknowledged that it needed to raise prices on some brands lately.



Nathaniel Brooks/New York Times

The price of compact fluorescent light bulbs has risen drastically in the last year because of the rising cost of rare earth metals.

"Obviously we don't want to pass along price increases to our customers, but occasionally market conditions require it," Tara Raddohl, a spokeswoman, said.

China's actions on rare earths were a prime topic of conversation at a conference last week that was organized by Metal-Pages, an industry data firm based in London. Soaring prices are rippling through many industries.

Skirting trade rules

China says it has largely shut down its rare earth industry for three months to address pollution problems. By invoking environmental concerns, China could potentially try to circumvent international trade rules that are supposed to prohibit export restrictions of vital materials. In July, the European Union said it supported efforts to protect the environment, but

that discrimination against foreign buyers of rare earths wasn't allowed under World Trade Organization rules.

China has been imposing tariffs and quotas on its rare earth exports for the past several years, curtailing global supplies and forcing prices to rise eightfold to fortyfold during that period for the various 17 rare earth elements.

Even before this latest move by China, the U.S. and the EU were preparing to file a case at the WTO this winter that would challenge Chinese export taxes and export quotas on rare earths.

Chinese officials here at the conference said the government was worried about polluted water, polluted air and radioactive residues from the rare earth industry. While rare earths themselves are not radioactive, they are always found in ore containing radioactive thorium and require careful handling and

processing to avoid contaminating the environment.

Factories closed

Most of the country's rare earth factories have been closed since early August to allow for installation of pollution control equipment that must be in place by Oct. 1, executives and regulators said.

The government is determined to clean up the industry, said Xu Xu, chairman of the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters, a government-controlled group that oversees the rare earth industry.

"The entrepreneurs don't care about environmental problems, don't care about labor problems and don't care about their social responsibility," he said. "And now we have to educate them."

Keith Bradsher,
The New York Times