TESTIMONY BEFORE THE

SUBCOMMITTEE ON ENERGY

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Steven J. Duclos – Chief Scientist and Manager, Material Sustainability, GE Global Research

Introduction

Chairman Cantwell, ranking member Risch, and members of the Subcommittee, it is a privilege to share with you General Electric's thoughts on how we manage shortages of precious materials and commodities critical to our manufacturing operations and what steps the Federal government can take to help industry minimize the risks associated with these shortages.

Background

GE is an advanced technology, services, and finance company taking on the world's toughest challenges. Operating in more than 100 countries with more than 300,000 employees, we are driving advanced technology and product solutions in key industries such as energy, water, transportation, aviation, and healthcare providing a cleaner, more sustainable future for our nation and the world.

At the core of every GE product are the materials that make up that product. To put GE's material usage in perspective, we use at least 70 of the first 83 elements listed in the Periodic Table of Elements. In actual dollars, we spend $40 billion annually on materials. 10% of this is for the direct purchase of metals and alloys. In the specific case of the rare earth elements, GE uses rare earth minerals in the production of energy efficient fluorescent lighting, in permanent magnets for generators in our most advanced wind turbines, in compressor motors for our Oil and Gas business, in our medical imaging technologies, and in coatings for aircraft engines and power generation turbines.

Because materials are so fundamental to everything we do as a company, we are constantly watching, evaluating, and anticipating supply changes with respect to materials that are vital to GE's business interests. On the proactive side, we invest a great deal of time and resources to develop new materials and processes that help reduce our dependence on any given material and increase our flexibility in product design choices.

We have more than 35,000 scientists and engineers working for GE in the US and around the globe, with extensive expertise in materials development, system design, and manufacturing. As Chief Scientist and Manager of Material Sustainability at GE Global Research, it's my job to understand the latest trends in materials and to help identify and support new R&D projects with our businesses to manage our materials needs in a sustainable way.

Without development of new supplies and more focused research in materials and manufacturing, such supply challenges could seriously undermine efforts to meet the nation's future needs in energy, healthcare, and transportation. GE's strategy to address its materials needs could easily serve as a framework for how the Federal government can strengthen its support of academia, government, and industry in this area.

GE's Evaluation of Material Risks

The process that GE uses to evaluate the risks associated with material shortages is a modification of an assessment tool developed by the National Research Council in 2008, and similar to an assessment recently completed by the Department of Energy to evaluate critical materials for energy technologies. In the GE analysis, risks are quantified element by element in two categories: "Price and Supply Risk", and "Impact of a Restricted Supply on GE". Those elements deemed to have high risk in both categories are identified as materials needing further study and a detailed plan to mitigate supply risks. The "Price and Supply Risk" category includes an assessment of demand and supply dynamics, price volatility, geopolitics, and co-production. Here we extensively use data from the US Geological Survey's Minerals Information Team, as well as in-house knowledge of supply dynamics and current and future uses of the element. The "Impact to GE" category includes an assessment of our volume of usage compared to the world supply, criticality to products, and impact on revenue of products containing the element. We continue to work with researchers at Yale University who are developing a more rigorous methodology for assessing the criticality of metals.

Minimization of Material Risks

Once an element is identified as high risk, a comprehensive strategy is developed to reduce this risk. Such a strategy can include improvements in the supply chain, improvements in manufacturing efficiency, as well as research and development into new materials and recycling opportunities. Often, a combination of several of these may need to be implemented.

Improvements in the global supply chain can involve the development of alternate sources, including the support of new mines. Manufacturers can also develop long-term supply agreements that allow suppliers a better understanding of our future needs. In addition, for elements that are environmentally stable, we can inventory materials in order to mitigate short-term supply issues.

Improvements in manufacturing technologies can also be developed. In many cases where a manufacturing process was designed during a time when the availability of a raw material was not a concern, alternate processes can be developed and implemented that greatly improve its material utilization. An example of this is the development of near-net-shape manufacturing technologies that produce parts and products by maximizing material utilization.

Another solution is the recycling of end-of-life products and optimizing product design to enable such recycling. In addition, development of recycling technology for the re-use of manufacturing scrap can generate an important source of raw materials. Currently, commodity elements such as Aluminum and Copper are extensively recycled – extending this to critical materials can generate an important source of these raw materials.

An optimal solution is to develop technology that either greatly reduces the use of the at-risk element or eliminates the need for the element altogether. While there are cases where the properties imparted by the element are uniquely suitable to a particular application, I can cite many examples where GE has been able to invent alternate materials, or use already existing alternate materials to greatly minimize our risk. At times this may require a redesign of the system utilizing the material to compensate for the modified properties of the substitute material. Let's look at a few illustrative recent examples.

The first involves Helium-3, a gaseous isotope of Helium used by GE Energy's Reuter Stokes business in building neutron sensors for detecting special nuclear materials at the nation's ports and borders. The supply of Helium-3 has been diminishing since 2001 due to a simultaneous increase in need for neutron detection for security, and reduced availability as Helium-3 production has dwindled. GE addressed this problem in two ways. The first was to develop the capability to recover, purify and reuse the Helium-3 from detectors removed from decommissioned equipment. The second was the accelerated development of Boron-10 based detectors that eliminate the need for Helium-3 in Radiation Portal Monitors. GE recently completed construction of a facility in Twinsburg, Ohio to manufacture Boron-10 neutron detection modules for use in Radiation Portal Monitors and other neutron detection systems.

A second example involves Rhenium, an element used at several percent in super alloys for high efficiency aircraft engines and electricity generating turbines. Faced with a six-fold price increase during a three-year stretch from 2005 to 2008 and concerns that its supply would limit our ability to produce our engines, GE embarked on multi-year research programs to develop the capability of recycling manufacturing scrap and end-of-life components. A significant materials development effort was also undertaken to develop and certify new alloys that require only one-half the amount of Rhenium, as well as no Rhenium at all. This development leveraged past research and development programs supported by DARPA, the Air Force, the Navy, and NASA.

The Department of Defense supported qualification of our reduced Rhenium engine components for their applications.

By developing alternate materials, we created greater design flexibility that can be critical to overcoming material availability constraints. Pursuing this path is not easy and presents significant challenges that need to be addressed. Because the materials development and certification process takes several years, executing these solutions requires forecasting impending problems. For this reason, having shorter term sourcing and manufacturing solutions is critical in order to "buy time" for the longer-term solutions to come to fruition. In addition, such material development projects tend to be higher risk and require risk mitigation strategies and parallel paths. The Federal Government can help by enabling public-private collaborations that provide both the materials understanding and the resources to attempt higher risk approaches. Both components are required to increase our chances of success in minimizing the use of a given element.

Another approach to minimizing the use of an element over the long term is to assure that as much life as possible is obtained from the parts and systems that contain these materials. Designing in serviceability of such parts reduces the need for additional material for replacement parts. The basic understanding of life-limiting materials degradation mechanisms can be critical to extending the useful life of parts, particularly those exposed to extreme conditions. It is these parts that tend to be made of the most sophisticated materials, often times containing scarce raw materials.

A complete solution often requires a reassessment of the entire system that uses a raw material that is at risk. Often, more than one technological approach can address a customer's need. Each of these approaches will use a certain subset of the periodic table – and the solution to the raw material constraint may involve using a new or alternate technology. Efficient lighting systems provide an excellent example of this type of approach. Linear fluorescent lamps use several rare earth elements. In fact, they are one of the largest consumers of Terbium, a rare earth element that along with Dysprosium is also used to improve the performance of high-strength permanent magnets. Light emitting diodes (LEDs), a new lighting technology whose development is being supported by the Department of Energy, uses roughly one-seventieth the amount of rare earth material per unit of luminosity, and no Terbium. Organic light emitting diodes (OLEDs), an even more advanced lighting technology, promises to use no rare earth elements at all. In order to "buy time" for the LED and OLED technologies to mature, optimization of rare earth usage in current fluorescent lamps should be considered. This example shows how a systems approach can minimize the risk of raw materials constraints.

In addition to high efficiency lighting, GE uses rare earth elements in our medical imaging systems and in wind turbine generators. Rare earth permanent magnets are a key technology in high power density motors. These motors are vital to the nation's vision for the electrification of transportation, including automobiles, aircraft, locomotives, and large off-road vehicles. The anticipated growth in the use of permanent magnets and other rare earth based materials for efficient energy technologies mandates that we develop a broad base solution to possible raw material shortages. One such solution would be the development of permanent magnet materials that use significantly less rare earth. GE is currently working on novel magnet processing techniques using nano technology that could reduce rare earth concentrations in permanent magnets by up to 80% in a project supported by the Department of Energy's ARPA-E.

Recommendations

Based on our past experience I would like to emphasize the following aspects that are important to consider when addressing material constraints:

1) Early identification of the issue – technical development of a complete solution can be hampered by not having the time required to develop some of the longer term solutions.
2) Material understanding is critical – with a focus on those elements identified as being at risk, the understanding of materials and chemical sciences enable acceleration of the most complete solutions around substitution and reuse/recycling. Focused research on viable approaches to substitution and usage minimization greatly increases the suite of options from which solutions can be selected.
3) Each element is different and some problems are easier to solve than others – typically a unique solution will be needed for each element and each use of that element. While basic understanding provides a foundation from which solutions can be developed, it is important that each solution be compatible with real life manufacturing and system design. A specific elemental restriction can be easier to solve if it involves few applications and has a greater flexibility of supply. Future raw materials issues will likely have increased complexity as they become based on global shortages of minerals that are more broadly used throughout society.

Given increasing challenges around the sustainability of materials, it will be critical for the Federal government to strengthen its support of efforts to minimize the risks and issues associated with material shortages. Based on the discussion above, we make the following recommendations for the Federal government:

1) Given the need for early identification of future issues, we recommend that the government enhance its ability to monitor and assess industrial materials supply, both short term and long term, as well as coordinate a response to identified issues. Collaborative efforts between academia, government laboratories, and industry will help ensure that manufacturing compatible solutions are available to industry in time to avert disruptions in US manufacturing.
2) Federal government support of materials, manufacturing, and systems research will be critical to laying the foundation upon which solutions are developed when risks to supplies of critical minerals and materials are identified. These complex problems will require collaborative involvement of academic and government laboratories with direct involvement of industry to ensure solutions are manufacturable. This includes educational and workforce development that will be critical to building industry's capability in these areas.
3) With global economic growth resulting in increased pressure on material stocks, along with increased complexity of the needed resolutions, it is imperative that comprehensive action be taken on the solutions discussed in this testimony: developing new materials sources, manufacturing efficiency, recycling technologies, development of alternate materials, and new systems solutions. This will require investment in long-term and pre-

competitive research and development – and the Federal government's support of these will be of increasing criticality as the demand for raw materials grows globally.

Comments on S.383, S.421, and S.1113

GE believes legislation on the critical materials issue needs to be comprehensive, and cover the source, manufacturing, recycling, and R&D solutions discussed above. S.383 and S.1113 offer the most comprehensive legislation to assess critical material needs, to reinvigorate the domestic mining supply chain, manufacturing, and research and development to mitigate risks arising from insufficient or uncertain sources of supply. It is also critical to bolster education within the mining, separations, engineering, and manufacturing workforce. GE believes it is critical to emphasize long-term innovation, as opposed to short-term stockpiling, in the critical materials policy and strategy.

Conclusion

In closing, we believe that a comprehensive approach and sustained level of investment from the Federal government in materials science and manufacturing technologies is required to accelerate new material breakthroughs that provide businesses with more flexibility and make us less vulnerable to material shortages. Chairman Cantwell and members of the subcommittee, thank you for your time and the opportunity to provide our comments and recommendations.

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