

Testimony by Joe Havasi, Compass Minerals Regarding H.B. 513, the “Great Salt Lake Amendments”

Mr. Chairman, and Members of the Committee:

My name is Joe Havasi, and I serve as Vice President of Natural Resources at Compass Minerals, a global provider of essential minerals and longstanding operator on the Great Salt Lake. We produce sulfate of potash, salt, and magnesium chloride from a facility just outside of Ogden and currently provide approximately 370 skilled, well-paying direct jobs in the area. Our company is also working toward the future production of battery-grade lithium as a co-product of our existing operations, which will not only provide an important source of domestic lithium, but significantly increase the number of local jobs we provide. I appreciate the opportunity to offer testimony today on H.B. 513, the “Great Salt Lakes Amendments”.

The intent of this important piece of legislation is to address the future management of water resources and related activities on the Great Salt Lake. Representative Snider’s dedication to the Great Salt Lake and to Utah is reflected in this bill. As a Utahn myself and a natural resource management professional of close to 30 years with direct, hands-on experience with our Great Salt Lake for over 13 years, I firmly believe we need to protect this globally significant resource, and Compass Minerals applauds the focus of Representative Snider and the members of this committee to do the same. Compass Minerals has made significant efforts and investments to continually innovate and improve our operational efficiency and reduce freshwater and brine consumption to help overcome the short-term challenges associated with this historic drought. As a result of these efforts, we are a stronger company and a greater steward of our shared resource.

As Representative Snider worked to craft this bill, we appreciated his proactive outreach to seek input in the spirit of cooperation and collaboration. His willingness to consider changes to the bill while remaining steadfast to the legislation’s intent has already resulted in a number of improvements from where the bill draft started.

In fact, Compass Minerals supports many of the provisions included in the bill that provide helpful guidance to our State’s regulatory bodies in the creation of the berm management plan directed by the Governor’s recent executive order. We also don’t oppose the creation of a reasonable severance tax on future lithium production on the Great Salt Lake – or elsewhere in Utah for that matter.

That said, there remains a handful of provisions in the introduced legislation that could result in unintended consequences. We understand that it is not the intent of the legislation to create new operational challenges to existing, responsible operators on the Great Salt Lake, like Compass Minerals, that have been engaged stakeholders in the pursuit of balanced, multi-use management and a healthy lake ecology. We need to ensure that provisions in this bill, and other bills, don’t inadvertently drive away investment and capital by way of excessive management tools. Compass Minerals is committed to helping work through these portions of the bill as it advances through the legislative process. Specific provisions of concern include the following:

- Within the severance tax provisions of the bill, it is not clear to us if the new severance tax would apply to existing mineral production on the lake or is intended to only apply to the future production of lithium. From prior discussions with the bill sponsor and state representatives, we understand the latter, but language to clarify that position would eliminate any ambiguity on the provision’s application.

- Second, while we understand and respect the intent to include a force majeure provision within the bill, we would ask that the provision be removed from the bill. If the force majeure provision is not removed, we ask that the language be revised to set clear standards as to when such a force majeure would be released if and when triggered. Without clear criteria in this regard, significant uncertainty is created that could freeze future investment from responsible operators such as Compass Minerals. The force majeure language in this bill purports to allow for the State to cancel a contract after two years and renegotiate; typically, this is the right of the affected party. After spending hundreds of millions of dollars in capital and taking the inherent risk of investment, this provision adds yet another risk to be borne by industry. As drafted, the provision also only impacts end-users on the lake and does nothing to address upstream water diversions that decrease inflows into the South Arm during an emergency period.
- Third, and in a similar context to the force majeure language, there is a provision in the bill that attempts to strip the legal rights of existing lease and water right holders from seeking claims resulting from any emergency management decisions made by the State. We disagree that the legislature has authority to remove the rights of Utah businesses in this way and ask that this provision be removed.
- Lastly, with regard to lithium production specifically, the bill appears to aspire to incentivize emerging and frankly unproven mineral extraction technologies over commercially proven technologies utilizing evaporation ponds. We can certainly appreciate the allure of such “passthrough” technologies that eliminate the need to leverage natural evaporation processes for the extraction of critical minerals on the lake. I would respectfully advise caution, however, in this pursuit as such technologies generally must offset the use of evaporation ponds by utilizing harsh processing chemicals, and have not been demonstrated at commercial scale using the unique and complex brine chemistry of the GSL. To that end, aspiration should not supersede vigilance and responsibility, and we would ask that the language of the bill be clarified to require a full and comprehensive evaluation of these technologies before they are incentivized, including assessment of the impact of discharging various acids and bases involved in such processes back to the Great Salt Lake in significant quantities. In other words, we cannot foul the water we DO have in the GSL – adversely impacting biota, brine chemistry, commercial aquaculture and mineral extraction while our attention is diverted to looking only at overall water consumption.

As I alluded to earlier, Compass Minerals is in the process of developing a lithium extraction and production operation that minimizes the environmental impact by leveraging existing processes. Our approach will allow us to maximize the value of the brine we process while minimizing incremental freshwater use. An investment of this scale is costly – as evidenced by our announcement last September that we were pursuing approximately \$1 billion in capital investment to produce battery-grade lithium from our existing operations. We also have been working closely and in good faith over the past year with state regulatory bodies in an effort to come to an agreement around what royalty should be applied to future lithium production on the Great Salt Lake. We appreciate that those discussions have taken longer than usual and hope that the progression of this legislation will allow our negotiations to soon continue.

Make no mistake, there is a race to develop a domestic lithium supply to support a growing advanced battery supply chain, thereby reducing our dependence on foreign countries for such critical inputs. Utah and the Great Salt Lake are poised to be in a leading position in this race, and Compass Minerals is committed to doing our part to ensure success in full cooperation with the State of Utah. We simply ask for a continued, thoughtful approach by the State to refrain from penalizing investment and responsible operations in our shared pursuit to ensure a long and healthy future for the Great Salt Lake and its many varied stakeholders.

Thank you again, Mr. Chairman, for the opportunity to offer testimony today.