

Pentagon Takes Equity Stake in Rare Earths Firm to Bolster National Security

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The Pentagon has made a groundbreaking move by acquiring a 15 percent equity stake in MP Materials, the only rare earth metals producer based in the United States. The \$400 million investment reflects a major policy shift aimed at safeguarding the nation's access to critical minerals vital for military and technological superiority.

The Department of Defense (DoD) utilized its authority under the Defense Production Act to take this ownership stake, marking the first time it has directly invested in a private company through equity. This bold step comes as part of the 2025 defense industrial strategy, which seeks to reduce dependence on Chinese rare earth processing and build resilient domestic supply chains.

Currently, China controls approximately 85 percent of global rare earth processing capacity. The Pentagon's decision follows a wave of export restrictions imposed by Beijing earlier this year, underscoring the urgency of securing independent sources of these strategic materials. Rare earths are essential for producing advanced missile guidance systems, radar, electric vehicles, and various next-generation technologies.

The deal with MP Materials includes a suite of government-backed guarantees, including long-term procurement contracts and price-floor commitments over the next decade. Private sector giants such as JPMorgan and Goldman Sachs have also co-invested in the initiative, bringing additional market confidence and reducing financial exposure for U.S. taxpayers.

The market responded quickly, with MP Materials' stock value rising over 40 percent within days of the announcement. Industry analysts noted that the Pentagon's move has reignited investor interest across the broader critical minerals sector, where average share values surged more than 25 percent following the news.

Deputy Defense Secretary Steve Feinberg, formerly a prominent private equity executive, is credited with championing the policy. Feinberg emphasized that the government must go beyond outdated grant models

and instead act as a “strategic investor” to support national champions in key sectors.

Despite its potential, the deal does carry some risk. MP Materials has yet to begin large-scale magnet production, an area where China currently dominates. U.S. firms also face regulatory and cost hurdles that could affect speed and scalability.

Nonetheless, defense experts see this move as a turning point in American industrial strategy. By deploying capital into mission-critical sectors, the Pentagon is no longer a passive buyer but an active shaper of the supply chain. Similar investments in materials like lithium, cobalt, and gallium are expected later this year.