



Restoring Canada's Mining Competitiveness: The Path Forward

Address to the Greater Vancouver Board of Trade

January 23rd, 2019

Thank you for having me and it's a pleasure to be back in Vancouver.

I come at a time when the industry has more spring in its step, though also facing headwinds from global trade conflicts leaving us in very uncertain times.

Many commodity prices have rebounded in recent years. In 2017, the value of Canadian mineral production increased for the first time in four years, rising 7.7%, or by more than \$3 billion, to \$43.9 billion.

And while 2018 saw volatile prices across a number of commodities – with several, including copper, nickel, zinc, cobalt and gold, finishing lower year-over-year – prices remain, in many cases, well above the January 2016 trough of the last downturn. In this sense, 2018 reflected the new normal of increased market volatility.

Despite this instability, the global mining industry is responding to these price signals. We have certainly started to see more acquisitions of, or investments in, junior exploration plays by major companies and, of course, some important acquisitions such as Pan American Silver's purchase of Tahoe Resources, the mammoth merger of Barrick and Randgold and last week's acquisition of Goldcorp by Newmont.

For decades, we've been a leader in the production of minerals and metals. A leader in mining services and supplies. A leader in mine finance. A leader in sustainability and safety.

Around the world, countries want Canadian investment. They want us for how we go about our business, how we work with communities and raise standards.

We have much to be proud of, and here are some reasons why:

- In 2017, Canada's mining industry contributed \$97 billion, or 5%, to Canada's total nominal GDP
- The industry's direct and indirect employment exceeds 634,000 jobs, accounting for one in every 29 jobs in Canada
- Proportionally, the mining industry is the largest private sector employer of Indigenous peoples and provided over 16,500 jobs to community members in 2017
- Richly endowed with natural resources, Canada ranks among the top five countries in the global production of 16 minerals and metals

- Internationally, the industry accounted for 19%, or \$97 billion, of the value of Canadian goods exports in 2017

Beyond its direct economic impact, the industry also supports many firms and sectors that supply miners with the goods and services they need to operate.

And there's good news for BC specifically. Based on available data, year-over-year mineral production values increased from \$6.3 billion in 2016 to \$8.8 billion in 2017, an absolute increase of \$2.5 billion. This constitutes more than 20% of Canada's total, and boosts BC to Canada's second most significant mining jurisdiction, displacing Quebec.

And, particularly of note, is the city of Vancouver, the global centre of expertise for mineral exploration. The province is home to some 700 exploration companies, most of which are in the greater Vancouver area.

While our industry has reason for optimism, there are a number of worrying trends that need to be seriously considered. I touched on these when I was last here, but will repeat as they're still with us:

- Over the past five years, Canada has lost ranking for seven out of 16 commodities for which it had been a top-five producer
- Canada remained the world's top destination for non-ferrous exploration spending in 2017, but continued to cede market share to other jurisdictions, including Australia. This marks the sixth

consecutive year that Canada's share of international exploration investment has fallen

- The value of total projects planned and under construction from 2018 to 2028 has reduced by 55% since 2014, from \$160 billion to \$72 billion
- Capital investment in the mining sector has declined each year since 2012, with investment intentions for 2018 in line with this trend
- Only four new mining projects, all gold mines, were submitted for federal environmental assessment in 2017 – far below highs seen in 2012-2014
- All of the above has also contributed to a fall in the status of Canada's mining supply sector. Second for decades to only the US, we fell to third last year behind Australia and Brazil is nipping at our heels. It is getting more competitive out there and I don't think we're holding our own as well as we used to.

While Canada has long benefited from a prosperous minerals and metals industry, we are not immune to global competitive forces, and cannot take the benefits and opportunities that mining offers Canadians for granted.

Clearly, much needs to be done to bolster the industry's domestic and international leadership, and I am here today to touch on some of the elements we believe could make a real difference in creating a predictable, consistent and competitive environment for Canada's mining sector. Also, today, I am going to risk boring you by spending a bit more time on a topic that has become controversial — namely Bill C-

69, the federal government's proposed *Impact Assessment Act*, currently before the Senate.

Mining Industry Competitiveness and Federal Public Policy

Federal regulatory policies play a key role in Canada's competitiveness as a destination for mineral investment. Reviews of federal environmental legislation, the pan-Canadian climate change policy, long-standing transportation challenges, and tax competitiveness concerns all contribute to the uncertain policy landscape in Canada.

Our industry is and has always been engaged in these policy consultations and is cautiously optimistic that many of the key considerations we have made have been taken into account by decision makers. New infrastructure spending in Canada's north has been at levels not seen in decades, if ever. Of course, the gap in the north is so great, these investments remain drops in a bucket but valuable nonetheless. New road construction in the NWT and Yukon will stimulate exploration and bring important new mining projects into production in a few years.

The federal carbon tax, taking effect this year, does have a regime that takes into account trade exposed, energy intensive sectors like mining. We are still working on the details — and details matter — and I'd not be telling the truth to say we're happy yet with the outcome. We continue to have major concerns regarding how the North will be treated, where options for emissions reductions are low to non-existent, and we are very concerned about the absence, to date, of any EITE consideration in the proposed Clean Fuel Standard. Nevertheless,

MAC members remain committed to carbon pricing as the most effective way to reduce emissions, a position also supported by the Business Council of Canada, the Canadian Chamber of Commerce and most other national business groups.

In the federal government's recent Fall Economic Statement, our sector's tax position got better, not worse, for the first time in many years. Going back to 2012-13, when the previous government started phasing out mining tax credits, some of which had been in place for decades, we have been raising the alarm that Canada's tax competitiveness has been eroding. This was amplified by the US tax changes introduced by President Trump last year.

Noteworthy are the increases to accelerated write-offs for equipment and clean energy investments and, while not directly relevant to the mining sector, the extension of the Mineral Exploration Tax Credit for a five-year term augurs well for the exploration sector's ability to rebound and make some new discoveries. The PDAC and AME both asked for a three-year extension, trying to break the cycle of one-year renewals that has been going on since the early 2000s. It's not often that a government gives you more than what you asked for.

While more work is needed to improve Canada's mining tax competitiveness, these measures are both timely, important and substantial for our members.

At the same time, federal, provincial and territorial governments have also acknowledged the issue of declining competitiveness and have, collectively, committed to develop a strategy for addressing it. The Canadian Minerals and Metals Plan will be launched this year, and we are hopeful that it will include new commitments, including in areas such as tax, infrastructure, geoscience and innovation, to boost support and renew interest in Canada as a destination for mineral exploration and mining investment.

Some provinces, like Newfoundland and Labrador, have already released their plan and, if all provinces do anything close to match it, we will see a meaningful, pan-Canadian effort to boost our sector. I understand the BC Mining Jobs Task Force has been doing excellent work thinking through BC's unique challenges and opportunities as a mining jurisdiction and has come up with some substantial recommendations for advancing mining's prospects here. I commend the multi-stakeholder group that worked so well together. I look forward to seeing the report and the BC Government's response to it.

Let me now spend a bit of time on Bill C-69.

A Proxy for a Bigger Problem

MAC and its members have been involved in federal environmental assessment since 1992, when the Progressive Conservative government of Brian Mulroney enacted the first CEAA. Despite assurances at the time that CEAA would not apply to the provincially regulated mining

sector, mining projects have been subject to federal and provincial environmental assessments ever since. The importance of coordination and collaboration between both levels of government has also, therefore, been a central concern of ours for decades and remains one.

In 2012, fundamental changes were made to federal EA legislation, turning a “project design tool” into a decision-making instrument. The primary motivation of these reforms was to try to break the logjams Canada has been experiencing with major infrastructure projects. Consideration of mining in these reforms was secondary.

One of the outcomes of these reforms was a massive reduction in the number of projects subject to federal legislation, as Canada went from around 6000 environmental assessments per year to about 100. As this first slide shows, mining now makes up the largest number of federal environmental assessments undertaken today and thus has more experience with CEAA 2012 than any other industry.

The CEAA 2012 reforms held promise for mining, particularly the offer of “substitution” and “equivalency”, whereby the federal government could substitute responsibility for the conduct of environmental assessments to a provincial government, offering the promise of one project, one review. Unfortunately, the promise went largely unfulfilled. Instead, CEAA 2012 has been a step backward for the mining sector, as we have faced longer timelines, uncoordinated and unpredictable reviews and, in some cases, unjustified roadblocks caused by issues such as cumulative effects that I have spoken to you about previously.

The next slide illustrates what I'm talking about. The number of new mining projects entering federal environmental assessment has more than halved since 2012. While the initial decline can be explained by the downturn in commodity prices a few years ago, the absence of any rebound since the turnaround is concerning. While countries like Australia and Chile are doing well, Canada languishes, with only a few new gold projects led almost exclusively by Canadian-owned companies entering the system. Foreign investment in new mining projects has fallen. Compare the following: in 2017, FDI in Australia was AUD \$315 billion, or 37%, of the country's total. In Canada, mining FDI was \$28.2 billion, or 2.5%, of the total. While it would be far too simple to peg this decline on CEAA 2012, the negative experiences of HD Mining, Glencore, Agnico Eagle and others with CEAA 2012 have not gone unnoticed.

When the new Liberal government was elected with a commitment to "restore lost protections" and revisit the previous government's reforms, we at MAC sought to a) see if we couldn't correct some of the unintended consequences of CEAA 2012 and b) avoid further deterioration of the federal assessment regime. It was a tall order.

Our earliest advice to government was to avoid a single system of project review for all project types, because mining, large infrastructure projects like Hydro dams, and long, linear projects like pipelines are different. Unfortunately, this advice was not accepted and therein lies, in my opinion, one of the major reasons why Bill C-69 has become so controversial. We also knew this review was going to be difficult for our

Association, because within our membership are mineral and metal producers whose business lines fall under different parts of the federal system — the Agency, the CNSC and the NEB. For three years, a large, multi-disciplinary Task Force of mining industry professionals with EA experience led our input into the development of the bill, meeting weekly by teleconference and regularly in-person.

Last May, after the House of Commons had completed its review of the bill, our members took stock. At that time, with the exception of our uranium members, there was a broad consensus that Bill C-69 represented an improvement over CEAA 2012. It was not the bill we would wish for, but it was a bill we could support. The key improvements are outlined on this next slide and are as follows:

First, it expands the tools and enhances flexibility for aligning with other jurisdictions. This is critical for our sector, which is not concentrated in any one jurisdiction but is found in every region of the country. Substitution is a great tool; sadly, only BC has made use of it, leaving proponents in the rest of Canada navigating a hodgepodge of uncoordinated, duplicative reviews that take longer and frustrate proponents and communities. Equivalency is another great tool but has never been used anywhere.

Second, it includes new provisions to better manage coordination across federal departments. CEAA 2012 made consideration of post-EA permitting decisions for mining projects impossible, making overall timelines longer. Implemented well, C-69 will enable consideration of permitting requirements upfront, offering the potential for shorter

overall timelines and more coordinated, integrated consultation processes.

Third, it fixes how cumulative effects will be addressed, no longer holding mining projects hostage for the cumulative effects of other activities, such as has occurred here in British Columbia with the Murray River project and with the Akasaba project in Quebec.

Other changes include how timelines will be managed. Much is made of how Bill C-69 includes the potential for endless timeline extensions. What is usually overlooked is how timelines are currently managed under CEAA 2012. All it takes is one public servant to ask a question of a proponent and the “clock” is stopped, leaving proponents subject to arbitrary, uncertain timeframes. In Bill C-69, a minister will have to make a deliberate decision to extend the timeline, with justification. While I am not so naïve to think that these extensions may not be abused, I think it is important to recognize that what’s changing is how timelines are managed, not whether or not they can be extended.

Much is also made of the fact that final decisions will be made by the minister or Cabinet, as opposed to an independent regulatory body. The bill is criticized for introducing politics into decision making; decisions should be made by impartial, regulatory bodies. There are arguments on both sides of this debate; my only comment is that the absence of an independent regulatory body for non-uranium mines has meant that decisions on mining projects have been made by ministers or Cabinet ever since the first CEAA came into force in the 1990s, so is nothing new.

For Canada's uranium sector, the most heavily regulated in the country, Bill C-69 adds yet more complexity. Uranium mines should be treated like other metal mines – there is no need to subject them to onerous review panel assessments regardless of size and the Project List revisions should use the same threshold for requiring an assessment. Saskatchewan hosts the world's safest and best run uranium mines and the highest quality uranium resources in the world, a product needed more than ever in a carbon-constrained world. We can't afford to leave future uranium developments mired in unnecessary burden.

So that's how things were in May. Then TMX happened.

The TMX decision has put into the sharpest relief the failure of our regulatory system to manage large, infrastructure projects. This room fully understands the costs to our country of this persistent failure, so I won't repeat them here. TMX also led some of our oil sands members to reconsider their position on Bill C-69. The frustration is deep, the anger is real. Though mining projects hobble through CEAA 2012 and will, we expect, hobble through a little more easily if Bill C-69 is passed, the concerns expressed about the ability to get large, linear projects through any federal review is legitimate, be it CEAA 2012 or C-69.

Linear projects are different. The consultation requirements are vastly more complicated than for site specific projects like mines. Energy projects, including large oil sands mines, are also under much more public and media scrutiny and face greater organized national and even international opposition by special interests than mining projects ever

encounter. The federal government should take this into account and find a way to make it more manageable. Key differentiating issues include management of timelines, scoping of factors, and how the public participates.

So where to now? The bill is before the Senate, which has itself become highly unpredictable. We, at MAC, will be working with all our members to try to secure some additional improvements to the Bill that would a) provide our oil sands and uranium members with more confidence; b) prevent the undoing of the improvements we have achieved for the rest of our membership and c) avoid a dog's breakfast that satisfies no one.

Assuming we can at least avoid the latter, I strongly hope that we can then move forward and start to take the temperature down on natural resources development. The politics of pipelines is hurting not just the energy sector but all of us. It can't go on. To move forward, we need a few things: a) market access – the ability to build pipelines to tidewater – and hopefully shovels are in the ground for Trans Mountain later this year; b) a long period of regulatory stability; c) a ban on politicians at all levels of government from trying to score points on the backs of proponents. If we can do these things, I think Canada's strength as a natural resources leader can start to recover and reassert itself and become once again a jurisdiction that has both public and investor confidence, thus contributing to a better, stronger future for Canada.

Thank you.

