



Mining and Natural Resources in a Minority Parliament

Address to the Greater Vancouver Board of Trade

January 24th, 2020

Thank you for having me and it is a pleasure to be back in Vancouver and thanks to the Vancouver Board of Trade for inviting me back once again. It's a pleasure, Brigitte, to meet you and congratulations on your new role and for breaking another glass ceiling as CEO of this great institution.

I'd also like to acknowledge the presence of Aldo Famolaro Beytía, Minister Counselor, Consul General of Chile and Berenice Díaz Ceballos, Consul General of Mexico. Canada's mining sector has a strong presence in both countries, our

sector being the largest foreign mining investor in Latin America. Valoramos mucho el apoyo y las excelentes relaciones que tenemos con los gobiernos de ambos países.

Como vicepresidente de la Sociedad Interamericana de Minería, tengo la oportunidad de reunirme regularmente con mis homólogos en Chile y México y considerarlos buenos amigos y aliados.

Being here only a few short months after the federal election provides an opportunity to reflect on the new minority government and what it might mean for the mining sector. I think some of what I am going to say will surprise a few people, because an opportunity presents itself like no other I have seen in as long as I have been working for MAC. I'll come to this in a few minutes, but first a few words about our industry.

It's now been over 20 years since I started working for Canada's mining sector. I've enjoyed every minute of it. It's an industry of great people, who work very hard in one of the toughest industries there is, providing top paying, safe and rewarding jobs for Canadians from coast to coast to coast.

It's an industry that has made more strides in Indigenous economic reconciliation than any other, exemplified two weeks ago by the induction of a great BCer, Jerry Asp of the Tahltan Nation, a former chief and founder of the Tahltan Nation Development Corporation, to the Canadian Mining Hall of Fame.

You probably know these statistics, but they're always worth repeating:

- In 2018, Canada's mining industry contributed \$97 billion, or 5%, to Canada's total nominal GDP
- The industry's direct and indirect employment exceeds 620,000 jobs, accounting for one in every 30 jobs in Canada
- Proportionally, the mining industry is the largest private sector employer of Indigenous peoples and provided over 16,600 jobs to community members in 2018
- Richly endowed with natural resources, Canada ranks among the top five countries in the global production of 15 minerals and metals
- Valued at \$105 billion in 2018, mineral exports accounted for 19% of Canada's total domestic exports

BC is a big contributor to these numbers. One of the top three provinces in the country in terms of its number of operating metal mines, the value of the industry in 2018 was \$9.7 billion.

Mining's value to Canada doesn't stop at Canada's borders, however. Canada's mining sector has investments in over 100 countries worldwide. Travelling with and working for the sector are the thousands of Canadian mining supply and services companies, the third largest in the world.

Mining continues to be one of the only sectors in the Canadian economy where we can boast that we are a global leader.

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. Canada is one of the safest

jurisdictions for mining in the world, and we are recognized for bringing these standards and practices wherever we go.

Sixteen years ago, in 2004, MAC launched its *Towards Sustainable Mining* initiative, or *TSM*. At the time, our goal was simple: set up a system that drives social and environmental performance improvements at the operational level.

Through the development of a range of performance indicators touching aspects such as tailings management, climate change, biodiversity conservation and Indigenous and community engagement, MAC member companies began measuring, reporting and assuring how they were doing against detailed, demanding criteria. We set up a multi-interest advisory panel to further enhance the transparency and credibility of the program and to hold us to account. The initiative worked, as

we can show substantial and consistent performance improvement over time of all our members, and we have seen public and stakeholder support for mining in Canada, generally, maintained and enhanced.

In the last five years, however, *TSM* has emerged as a leading global standard. It began when the Finnish mining industry, facing stakeholder and government pressure to improve performance, looked around the world at what mining industries in other countries were doing. They found *TSM*, not surprising as it remains, to this day, the only fully implemented site level assured performance system in the world. An agreement between MAC and FinnMin was signed and we licensed to them the right to use our program.

Since then, FinnMin has been followed by decisions by the mining associations in Argentina, Spain, Botswana, the Philippines and Brazil to adopt *TSM*. I have just returned from Norway, where its mining industry informed us that they, too, want to adopt *TSM*, and several other countries are considering the same.

Though Canada's mining sector is well respected, around the world mining has been associated with conflicts and significant environmental and safety concerns. I need only mention the horrific tailings failure at Brumadinho in Brazil that killed almost 300 people for you to understand what I mean.

The adoption of *TSM* by others will raise the bar globally and, hopefully, prevent disasters like these from occurring. This is a good thing for the planet. And Canada's mining sector deserves

to be very proud for what it has achieved and is helping others to achieve.

But the benefit to Canada's miners is not just pride. As *TSM* has expanded globally, others have taken notice. A few developments for you to be aware of:

- The Canadian Mint has launched a responsibly-sourced gold and silver product, selling gold mined by *TSM* gold producers Agnico Eagle, IAMGOLD and Newmont.
- Sustainalytics, which provides ESG advice to global investors, has a new risk tool whereby firms using *TSM* to manage tailings risks are ranked better, specifically as a lower risk to investors, than those that don't.
- ScotiaBank now uses *TSM* results to inform their risk assessments.

- A study by Columbia University showed how companies applying *TSM* have a better compliance rate with water effluent regulations than those that don't — this means fewer fines, less bad press and greater community support.
- EDC is also looking at how *TSM* may shape their lending practices.
- Apple has recognized *TSM* as a leading standard for responsible sourcing of metals.
- *TSM* has been accepted by ResponsibleSteel as a way of assuring that the mining requirements of this emerging responsible sourcing standard can be met.

TSM is about more than mining responsibly. It's about running a good business. It's no wonder that mining companies from

around the world are interested in what we've developed here in Canada.

Looking forward, the opportunity for responsible growth is significant. And the obligation to grow responsibly has never been more clear. The amount of mined material needed to supply the transition to a net-carbon-neutral future is considerable. For example:

- By 2040, between 7 and 17% of global electricity generation will be from solar power. Renewable energy systems can require up to 12 times more copper compared to traditional energy systems.
- By 2040, between 9 and 21% of global electricity generation will be from wind power. Approximately 170 tonnes of steelmaking coal and 10 tonnes of zinc are

needed to produce and galvanize the steel in an average wind turbine.

- By 2040, there will be more than 900 million electric cars worldwide, accounting for over 50% of the global fleet.

Zero-emission electric vehicles require about three times as much copper as an internal combustion vehicle.

- With recent discussion on the innovative role small modular reactors, or SMRs, can play in providing a cleaner energy solution, let us not forget that Canada is the second largest producer of uranium in the world, a direct contributor to avoided GHG emissions globally.

The big question is not whether we need minerals and metals, but, rather, will Canada become the destination of choice for sourcing them? A couple of new developments give cause for some optimism, to which I now turn.

Reflections on the Last Parliament

Before reflecting on what the new Parliament entails, a few words on the previous one.

The past four years were without a doubt the busiest and most challenging in my experience. Carbon pricing, an amended *Fisheries Act*, a new *Navigable Waters Act* and, of course, a new *Impact Assessment Act* were all initiatives that impacted our sector significantly. A lot was at stake.

I think we came out of it pretty well, all things considered.

As CEO of MAC, I defended a position on the then Bill C-69 that was difficult but that our members held. I was attacked by some for doing so, which was no fun at all. But it was a position the members developed based upon the most consistent and

longstanding experience with federal environmental assessment of any industry.

We believed, and we still do believe, that the *Impact Assessment Act*, if implemented as intended, will result in a better process for reviews of most mining projects than the Act it replaced, CEAA 2012. We recognize that some in other sectors, such as in oil and gas and pipelines, believe differently, and it's also true that the new Act more fundamentally changes the way these sectors are assessed than mining is and creates new uncertainty.

Unfortunately, during the protracted, extremely political and polarized debate on C-69, a lot of misinformation about what the bill did or didn't do was spread far and wide. At worst, it created the impression that Canada's project review process is

unworkable, that investors should be wary of Canadian projects, even though mines continue to be approved routinely by federal and provincial governments.

We have to change this impression. By “we”, I mean all of us, including the government. The federal government has a strong obligation to demonstrate that the new Act will deliver upon the promised improvements with respect to coordination with provinces, integration of federal permitting and better timeline management. I congratulate the Province of BC for being the first to conclude a new agreement with the federal government on the *IAA*. Our industry should push all provinces to do the same if we are to take full advantage of the new tools for federal-provincial coordination provided by the new Act.

Proponents have an obligation to also make it work, by engaging early and in good faith with Indigenous communities in particular, which is required at any rate by MAC's *TSM* program, which recently significantly upgraded requirements with respect to Indigenous engagement. MAC has produced a webinar for members, which we intend to post on our website, that provides a factual presentation of how the Act is designed to work, highlighting differences from its predecessor Act, CEEA 2012. Once posted, I encourage any and all of you to have a look at this webinar, as it seeks to address some of the popular misconceptions of the Act.

Most important, we have to take the temperature down.

Natural resources development, whether it be mines or pipelines, hydro or wind farms, new mills or transmission lines,

should be assessed on their merits and not used as footballs to support political agendas.

As I look forward to the new Parliament, I see an opportunity to do just that — turn the temperature down. The major Acts that impact our sector have now been revised and enacted. It should be a quieter Parliament for natural resources than the last one, and that's a good thing.

The New Parliament

So, after a very ugly, seemingly endless campaign, the Liberals won a minority government. What can we expect? Will this mean more trouble for natural resources, as Parliament tilts further left and a climate change agenda is potentially further radicalized?

I don't subscribe necessarily to that view, for a few reasons

Most major pieces of legislation that could impact mining have been addressed and won't be coming back in this Parliament.

The possibility of a review of the *Species at Risk Act*, and all the divisions that would entail, is remote. There will be changes

proposed to the *Canadian Environmental Protection Act*, and

we will have to pay close attention to how that unfolds, but we do not anticipate anything close to the challenges and acrimony of the past Parliament.

That's not to say some policy initiatives won't impact us. The

government will press ahead with a new Clean Fuel Standard, a

concern of ours and many sectors. The government has made

ambitious commitments to expand Canada's network of

protected areas, which will create new no-go areas for exploration and mining.

But my optimism is not about what won't happen. It's in fact what will or at least could happen to improve the investment climate for mining. What do I mean by this?

In December, Prime Minister Trudeau continued his practice of publishing the mandate letters of his new Cabinet.

Up to now, mining has had barely a passing mention in mandate letters, even in the letter for the Minister of Natural Resources. I have often felt that mining is a sector many Canadian governments take for granted, and have perhaps neglected, in recent years, with the resulting worrying signs of declining mineral reserves, exploration spending and investment intentions.

Upon their release in December, however, it became clear that the new government seeks to prioritize mining more than ever as about a half dozen mandate letters include direction to multiple ministers on initiatives that directly or indirectly reference mining. I have not seen anything like this in my 20 years in the association world and officials in government say the same — they, who have seen mandate letters going back many years, before they became public.

These letters include commitments to greatly expand investments in electrification, including in the North, specifically calling out remote mines. They include changes to tax policy to provide 100 percent accelerated capital cost allowance for electric mine vehicles, to “accelerate” the deployment of zero carbon mining equipment. They include

increasing support for Indigenous skills training and education.

They include investments in innovation.

Two commitments, however, stand out. The Natural Resources Minister is tasked to “implement the Canadian Minerals and Metals Plan” and to position Canada as a leader “in strategic minerals.”

Canadian Minerals and Metals Plan

The Canadian Minerals and Metals Plan, or CMMP, was initiated by federal, provincial and territorial mines ministers a number of years ago. Its goal is to enhance the competitiveness of Canadian mining and set it up for long term success. It includes a number of ambitious goals and has identified priority areas such as enhancing geoscience information, fostering

investments in R&D and innovation, improving regulatory timelines, investing in infrastructure, and so on.

Until last December, the CMMP was driven by NRCan without much notice or attention by the Prime Minister's Office. This all changed when it was called out in the mandate letter for NRCan Minister Seamus O'Regan.

For policy wonks like me, this is no small deal. What this means is that the CMMP now has central agency and PMO backing.

This means efforts by NRCan to pursue initiatives, promote new programs or tax policy changes just got easier. The CMMP just changed from a nice idea that might, like others I've seen before, wilt on the vine, to one that will have staying power and will generate results.

US/Canada Joint Action Plan on Critical Minerals

An arguably even bigger deal is the recently announced US/Canada agreement on critical minerals.

China's continually expanding its somewhat insidious control of many critical minerals that has long left Canadian miners vulnerable to unpredictable price swings, as supplies can go from scarcity to glut in a timeframe that is independent of normal market cycles. Across Canada, we have many known deposits and even some fully permitted mines unable to secure financing or on care and maintenance because of China's control of the market for key commodities.

The reality miners have long known about has now caught the attention of policy makers in Europe and the US, which have become uncomfortably dependent on China alone as a supplier of minerals and metals critical for key sectors of their respective economies.

By critical minerals, we are not just talking about Rare Earth metals. Rather, it's Rare Earths plus several minerals and metals critical to new battery technologies in the automotive sector, the space and defence sectors and in the high-tech sector, including cobalt, copper, precious metals, nickel, uranium, lithium, magnesium and others. Many of these we mine already in Canada. Some, like magnesium, tungsten and lithium, we try to mine but struggle because of Chinese control.

The goal of the Canada/US Action Plan, without expressly calling out China, aims to break this control. To quote from the Joint Action Plan:

“Canada and the United States share a mutual interest in improving critical mineral security and ensuring the future competitiveness of Canadian and U.S. minerals industries.

Collaboration in this area could attract investment to Canadian exploration and mining projects, as well as spur job creation and economic growth in various downstream industries.

Today, Canada and the U.S. announced they have finalized the Canada–U.S. Joint Action Plan on Critical Minerals

Collaboration, advancing our mutual interest in securing supply chains for the critical minerals needed for important manufacturing sectors, including communication technology,

aerospace and defence, and clean technology. This announcement delivers on the June 2019 commitment by the Prime Minister of Canada and the President of the United States.

The Action Plan will guide cooperation in areas such as industry engagement; efforts to secure critical minerals supply chains for strategic industries and defence; improving information sharing on mineral resources and potential; and cooperation in multilateral fora and with other countries. This Action Plan will promote joint initiatives, including research and development cooperation, supply chain modelling and increased support for industry.”

Let's digest this for a moment. The President of the United States and the Prime Minister of Canada are backing this Action Plan. This is big, serious stuff.

Granted, this is not going to be easy. While Canada has the resources to supply the US, we operate in a market economy and are competing with a non-market player, where the rules are different, where security of supply matters more than whether a project makes money or not.

But what this Action Plan is saying to me is that the US has recognized that new strategies are needed to compete with a non-market player. Some of the things that could result from this include:

- More investments in geoscience to find more resources
- Investments in R&D and innovation to drive costs down

- Investments in infrastructure, to bring costs down
- Off take agreements
- Tax incentives
- Direct investments in projects

In response to this, MAC has formed a high-level Task Force to engage with our government on both the CMMP and the Action Plan. Our first meeting with NRCan was last week. It's time to be ambitious. It's an opportunity to lay the foundation for a new era in investment, not just in mining but in new, emerging industrial and manufacturing sectors.

Why, for example, shouldn't Canada be home to a new Tesla mega-battery factory to supply North America's next generation automobiles? To accelerate the manufacturing and sale of solar panels? To secure the defence capability of our

most important ally and ourselves? To secure Canada's longstanding participation in the space sector?

To do all of this, we need metals. Lots of them.

And as I mentioned earlier, it's not just the US. When I was in Germany recently, I heard the same thing. Germany wants to buy from Canada. They know, when they buy from us, they are buying from a reliable supplier. A responsible supplier. News of *TSM* has made it to Europe. There are no risks to Germany's automotive sector of accusations of buying metals mined using child or forced labour, ignoring Indigenous rights or operating to weak environmental standards when they come from Canada. Like our diamonds, Canadian metals come conflict free, mined meeting the highest environmental standards and a commitment to transparency unmatched anywhere.

Conclusion

So this is why I'm feeling pretty bullish right now. Prices are ok, China will continue to consume lots of metals. India and other emerging economies will do the same. The long-term fundamentals remain as good as they have been for several years.

The new Parliament may throw us some curve balls and we're going to have to be diligent.

But right now, we have a government whose platform commitments, and whose support for some pretty big initiatives, like the CMMP and Critical Minerals Action Plan, bode well for mining.

The prospects for Canadian investment, and for making a tangible difference in Canada's attractiveness for new mine investment have recently become a lot better. If we seize these opportunities effectively, a new era may well be upon us, one we haven't seen in many years.

Thank you.