Addressing Canada's Declining Mineral Industry Competitiveness
A Plan for National Action

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Submitted by the Canadian Mineral Industry Federation (CMIF)

National Associations

Canadian Fertilizer Institute
Canadian Institute of Mining, Metallurgy and Petroleum
Canada Mining Innovation Council
Coal Association of Canada
The Mining Association of Canada
Mining Industry Human Resources Council
Mining Suppliers Trade Association
Prospectors & Developers Association of Canada

Provincial and Territorial Associations

Alberta Chamber of Resources
Association for Mineral Exploration British Columbia
Association de l'exploration minière du Québec
Association minière du Québec
Mining Association of British Columbia
The Mining Association of Manitoba
The Mining Association of Nova Scotia
Mining Industry NL
Newfoundland and Labrador Prospectors Association
NWT & Nunavut Chamber of Mines
Ontario Mining Association
Ontario Prospectors Association
Saskatchewan Mining Association
Saskatchewan Potash Producers Association
Yukon Chamber of Mines

The members of the Canadian Mineral Industry Federation (CMIF) represent the majority of companies engaged in mineral exploration, mining and processing in Canada, and the supply sector that supports these industrial activities. Members account for most of Canada's production of base and precious metals, uranium, diamonds, metallurgical and thermal coal, potash and mined oil sands. CMIF appreciates this opportunity to provide federal, provincial and territorial ministers responsible for the mining portfolio with views and recommendations regarding policy issues of importance to the minerals and metals industry.

This submission was prepared by the Prospectors & Developers Association of Canada (PDAC) and the Mining Association of Canada (MAC), with the participation and support of CMIF members.

ADDRESSING CANADA'S DECLINING MINERAL INDUSTRY COMPETITIVENESS – CMIF PRIORITY AREAS:

To help position the Canadian exploration and mining industry as the global leader well into the future, the Canadian Mineral Industry Federation (CMIF) underscores the critical need to address Canada's waning mineral investment competitiveness. An internationally competitive Canadian mineral industry is the single, critical factor that will determine if the industry will continue to responsibly generate economic and societal benefits. As such, the following priority areas are outlined and corresponding recommendations are offered to Canada's Energy and Mines Ministers for consideration.

1. **Regulatory Challenges**

Regulatory and policy factors play a significant role in determining investment decisions – unpredictable, complex, impractical, and inefficient regulatory regimes increase uncertainty, deter investment and negatively impact the global competitiveness of the mineral industry and our reputation as reliable trading partners.

2. **Enhancing Indigenous Participation and Reconciliation**

Government investments to improve the socio-economic conditions in Indigenous communities and improvements to the duty to consult framework are foundational to economic reconciliation and enhancing the meaningful participation of Indigenous Peoples in the mineral industry.

3. **Accessing Prospective Lands**

Canada's ability to attract mineral investment, accelerate its rate of discoveries, and advance projects to mine development is contingent upon responsible access to prospective land, with which Canada is so well endowed.

4. **Climate Change**

Climate change policies must ensure the competitiveness of emissions-intensive and trade-exposed (EITE) sectors, and be sensitive to changing economic and geographical realities.

5. **Investments in Innovation and Geoscience**

Government investments in geoscience and innovation will spur mineral activity and are critical to enhance the mineral industry's efficiency, productivity and environmental performance.

6. **Remote and northern exploration and mining**

Various challenges in remote and northern Canada must be addressed to support mineral investment and project advancement, and enhance economic development opportunities for northern and Indigenous communities.

7. **Stimulating Investment through strong Fiscal Policy**

Jurisdictions with sound fiscal policies will ensure their competitiveness in the global minerals industry – various incentives, competitive taxation levels and efficient and reliable securities regulations can all positively influence investment.

INTRODUCTION

While the Canadian Mineral Industry Federation (CMIF) appreciates efforts by Natural Resources Canada and its provincial and territorial partners to develop a forward-looking *Canadian Minerals and Metals Plan* to make Canada's mineral industry the global leader, the foundation of such a strategy can only be built on ensuring that we are addressing the immediate challenges and priorities of today, of which there are many. Foundational to addressing all current challenges and securing a future in Canada for the industry is the need to ensure Canada can compete with other jurisdictions as an attractive destination for mineral investment, an area in which there has been stagnation in recent years.

A number of factors affect investor decisions about where to invest in projects, and by companies about where to explore and mine. These factors profoundly influence exploration activity in Canada, how often new, economically viable mineral deposits are found, and whether they will be mined. The ability of the mineral industry to continue to responsibly generate economic opportunities, and produce the minerals and metals increasingly in demand for societal needs, including for the transition to a low carbon economy, will depend on future exploration discoveries and a domestic regulatory system that moves these discoveries into production in a timely, cost-efficient manner.

To help position the Canadian exploration and mining industry as the global leader well into the future, the CMIF underscores the critical need to address Canada's waning mineral investment, and offers recommendations focused on industry competitiveness.

ECONOMIC AND SOCIAL CONTRIBUTION OF THE MINERAL INDUSTRY

The value of the mineral industry's contribution to Canada cannot be overstated. For many decades, Canada has been a world leader in the discovery, production and processing of minerals and metals needed to improve the quality of life of the world's growing middle class population, which will also support the transition to a lower carbon economy. The mineral exploration and mining industry generates significant economic and social benefits in remote communities, Indigenous communities, and large and small urban centres across Canada. The industry employs nearly 600,000 workers across the country, and contributes more than 3% to the GDP. Valued at $89 billion in 2016, mineral exports accounted for 19% of Canada's total domestic exports. Toronto is the mine equity finance capital of the world, with 51% of all global mining financing transactions done on the TMX in 2016. Much of the world's leading legal, engineering, geological, equipment and financial expertise is also found in Canada, a unique global industry super-cluster that has developed over the course of more than a century.

The mineral industry is also a proven leader in building innovative relationships and partnerships with Indigenous peoples. It is the largest private-sector employer, on a proportional basis, of Indigenous people in Canada and a key partner and top customer of Indigenous businesses. In addition, the mineral exploration and mining industry is central to Canada's goal of moving towards a low carbon future. Critical minerals and metals explored for and mined in Canada are required for technologies and materials that will power clean growth in the transportation and energy sectors, and if Canada can seize the opportunity at hand, it has the potential to be the supplier of choice for other markets. With regards to traditional minerals and metals, through initiatives such as MAC's *Towards Sustainable Mining* and the PDAC's *e3 Plus: A Framework for Responsible Exploration*, Canada is well-positioned to be at the centre of movements towards responsible sourcing by manufacturers of various goods, for which customer awareness and demand continues to rapidly increase. Further, the advice of Canadian governments, mineral companies and industry associations is sought by countries around the world seeking to improve their governance of natural resources, including the development of responsible and effective regulations and responsible practices. Essentially, the mineral industry has been one of the few areas of the Canadian economy for which Canada could claim global leadership.

MEASURING CANADA'S MINERAL INDUSTRY COMPETITIVENESS – CONTINUED SIGNS OF DECLINE DESPITE MARKET UPTURN

The Canadian mineral industry faces fierce global competition for investment. Proponents and investors have a multitude of options when making decisions about which jurisdiction to explore, mine or invest in projects. In fact, Canada continues to fall behind its competitors in a number of areas, indicating its decline in attractiveness as a destination for mineral investment.

From 2012-2016 there was a prolonged downturn, during which investment in the mineral sector severely declined 56% globally and 65% in Canada. Exploration spending fell 63% between 2011 and 2016, from a high of over C$4.2 billion to C$1.6 billion. Further, an analysis of global exploration expenditures reveals that Canada's relative share of global non-ferrous exploration expenditures has also declined, falling from 20.5% in 2008 to around 14% in recent years. While this still puts Canada in the leading position, the inclusion of iron ore expenditures would put Australia ahead of Canada. Beginning in 2016 investment started to return, signalling a recovery for the sector. However, while the increase in investment strengthened in 2017 globally, in Canada there was relative stagnation and the amount of funds raised was similar to 2016.

Capital investment in the mining sector has declined each year since 2012, with investment intentions for 2017 being in line with this trend. In 2016, capital spending in the Canadian mining industry accounted for 5.4% of Canada's total at $12.9 billion, down 15% from the previous year, and the fourth consecutive year that capital spending has fallen.[1]

Further indicators demonstrate declining base metals reserves, greater costs to make discoveries, and increases in the length of time it takes to move a discovery into production. The number of active mineral projects in Canada is down by almost one-half from the 2011 peak of 2,700 projects, and only two new mining projects were submitted for federal environmental assessment in 2016 – an historic low. Over the last five years, Canada has dropped in its ranking for seven out of the 13 products for which it is a top five global producer.

In 2016, InfoMine reported that Australia's identified mining supply sector surpassed that of Canada's, dropping Canada to third place. In 2017, this gap expanded with Australia adding more than 200 firms to its list, while Canada added 31. This is one of many indicators signaling that Canada's attractiveness as a destination for mineral investment is eroding. The effect can be seen in the drop in current and potential investment in major mining-related projects identified by Natural Resources Canada in its report, *Natural Resources: Major Projects Planned and Under Construction – 2017 to 2027*. The report indicates that total projects planned and under construction have reduced by one-third (49 projects) in number and by over 50% ($86 billion) in value from June 2014 to June 2017. Metal mines experienced the single largest drop, accounting for 81% of the suspended projects and 79% of the suspended investments.[2]

[1] *Facts & Figures 2017, Mining Association of Canada*
[2] *Ibid*

Declines in mineral investment in Canada cannot be primarily attributed to the most recent industry market down cycle. As the quantitative and qualitative data outlines, Canada's mineral industry is stagnating and facing intense competition from global competitors. CMIF members would like to underscore how specific policy decisions at the federal, provincial and territorial levels continue to impact decisions being made by companies and investors about where to invest. The implications of these policy decisions, unless addressed, are likely to persist regardless of improving market conditions. Policy uncertainty is also affecting Canada's ability to attract investment. Critical policy decisions remain forthcoming on numerous issues, including project permitting, tax expenditure, climate change, transportation policy and infrastructure, land access and conservation, Indigenous reconciliation, and innovation, among others.

Despite these challenges, the industry continues to make significant contributions to the social and economic well-being of Canadians. The industry has also continued to build its reputation as responsible, sustainable corporate citizens in Canada and abroad. However, this cannot be taken for granted and the ability of Canada's mineral industry to maintain and grow these contributions is paramount. Policy-makers must take concrete steps to position the sector for present and future success.

KEY POLICY ISSUES & RECOMMENDATIONS

The CMIF prioritizes the need to address Canada's waning mineral investment competitiveness and urges ministers from across Canada to consider and take concurrent action on the pressing challenges of present day while planning for the long-term. Addressing and prioritizing the following key policy issues will help to restore Canada's mineral industry competitiveness and ensure that mineral exploration and mining can regain its global leadership position and provide more benefits for Canadians and the national economy.

1. Regulatory Challenges

Regulatory and policy factors play a significant role in determining investment decisions – unpredictable, complex, impractical, and inefficient regulatory regimes increase uncertainty, deter investment and negatively impact the global competitiveness of the mineral industry and our reputation as reliable trading partners.

Canada has a robustly regulated mineral industry with a record of strong environmental performance. The regulatory landscape for the Canadian mineral industry can be complex, uncoordinated, inefficient and difficult for proponents to navigate. Compounding these challenges across federal, provincial and territorial levels are various proposed changes to regulatory processes or the implementation of recently amended processes, foremost among them, legislative changes proposed by the federal government to the *Fisheries Act* (through Bill C-68) and the introduction of a new *Impact Assessment* regime (through Bill C-69).

The industry has long been affected by various applications of the *Fisheries Act* to exploration and mining activities, and CMIF members participated in the recent review of the 2012 changes to the Act. While initial concerns with transitioning to the new Act were addressed by the government, new concerns have arisen as the Bill has progressed through Parliament, most notably, the acceptance and inclusion in the Bill of a provision relating to water flow and fish habitat, that represents the most significant expansion of the definition of fish habitat in the 145-year existence of the Act[3]. While CMIF members continue to work with the government and stakeholders to explore potential solutions to this expanded definition, in its current form, the legislation will add a significant layer of uncertainty to Canada's regulatory environment for impacted projects with corresponding negative impacts on Canada's investment climate.[4]

Bill C-69, which seeks to establish the government's proposed new Impact Assessment (IA) regime for the assessment of projects under federal jurisdiction, continues to advance through Parliament. CMIF members are invested in and continue to engage in the process that began with review of federal environmental assessment processes in August 2016. The proposed new IA regime will have impacts on mineral activity in all Canadian jurisdictions, and proposes various changes and new elements relating to the consultation and participation of Indigenous peoples, cooperation with other jurisdictions, coordination within the federal government, and numerous other aspects of the project review processes. CMIF hopes the final result will be a more coordinated, timely and effective assessment review process from initiation of the assessment through to final permitting.

While the industry is optimistic about proposed changes to the definition and application of cumulative effects under the federal government's new Impact Assessment regime, Bill C-69, the current process under the *Canadian Environmental Assessment Act, 2012* (CEAA 2012) is currently structured to assess only large, clearly-defined projects such as proposed mines, rather than the cumulative effects of human and other industrial activities in a given region. Under this system, mining projects have been unfairly judged on the cumulative effects of other activities, most often from industries not subject to federal assessment. The result is good mining projects being delayed or shelved, while other industrial activities proceed, unchecked. This calls into question the Act's scope, which disproportionately focuses on the mineral industry. As well, it creates delays and uncertainty for mineral projects in regions where species listed under the *Species at Risk Act* (SARA) or their habitat are found on provincial Crown land. SARA does not yet have a full suite of compliance tools, policies and coordination mechanisms for effective implementation.

Furthermore, legislation amending the *Canada Transportation Act* passed in recent Parliaments repeatedly failed to address the longstanding railway/shipper imbalance, including the most recent attempt in the 42nd Parliament, Bill C-49, in which the government removed Senate amendments sought by the mining industry. These would have delivered key improvements to data transparency in Final Offer Arbitration (FOA) and related enhancements to the Agency's ability to address through investigation, rail service and other rail-related issues. During Parliamentary consideration of Bill C-49, provincial and territorial voices were largely absent from the debate. CMIF underscores the need for enhanced provincial and territorial awareness and engagement on these key issues going forward to ensure that the next opportunity for legislative changes to the Act result in a more competitive, balanced and efficient transportation system. As one of Canada's primary export sectors, the mineral industry must be able to get its products to international markets in a predictable and timely manner in order to maintain its reputation as a reliable trading partner.

In each of these cases on the federal front, the mineral industry has been forced into a defensive position, with a primary objective of securing final legislative outcomes no worse than the status quo.

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[3] New subsection 2(2) added as an amendment during Clause by Clause consideration at the House of Commons Standing Committee on Fisheries and Oceans

[4] Senate consideration of the Bill set to commence in the Fall, additional legislative changes are possible

With the federal government's rejection of the mining sector supercluster proposal[5], minimal progress on *Species at Risk Act* issues (primarily relating to caribou), and the recent passage of legislation amending the *Canada Transportation Act* (Bill C-49) that further disadvantages the industry, there has been little evidence of robust support for Canada's mineral industry.

While federal legislative changes will undoubtedly have an impact across all levels of government, provinces and territories also face a number of other, regionally-focused regulatory challenges, whether in relation to new proposals or implementation issues. For example, the implementation of Phase III of the *Mining Act* in Ontario and resulting challenges of the new map-staking system, the "public concern" trigger in the *Mackenzie Valley Resource Management Act* and resulting delays for early exploration programs, or cost-recovery provisions now embedded in northern regulatory regimes.

The federal review of legislation and ongoing regulatory and policy implementation issues at the provincial and territorial levels are contributing to the perception that Canada has a high degree of investment risk. These have resulted in a general sense of uncertainty and a loss of mineral investment, in addition to delays and increased costs for project proponents.

Recommendations:

- *Ensure that Canada's regulatory regimes are effective, efficient, predictable and balanced in order to reduce uncertainty, delays and increased costs that undermine Canada's investment climate.*
- *Increase provincial and territorial awareness of the impacts on mining of the longstanding railway/shipper imbalance in respective jurisdictions.*
- *Commit to enhanced and formal federal, provincial and territorial collaboration and engagement on these critical issues to ensure that the next opportunity for legislative changes to the Canada Transportation Act result in a more competitive, balanced and efficient transportation system for the mining industry.*
- *Support a shift towards regional and strategic assessments on federal lands and marine areas and work collaboratively with other jurisdictions to address broader issues that cannot be addressed through project assessments.*

Specific Provincial and Territorial Recommendations:

- *We urge all ministers responsible for natural resources to:*
    - *To monitor developments relating to Bills C-69 and C-68, and liaise with provincial mineral industry associations and companies, to ensure the legislation does not negatively impact the industry.*
    - *Engage with their colleagues and ensure that Canada's investment climate is not undermined by impractical assessment processes and a lack of inter-jurisdictional cooperation.*
    - *Take an active role in the development of regulations for the Impact Assessment Act (IAA), and ensure improved coordination between federal and provincial assessment review and approval processes for mineral industry projects.*

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[5] The 2017 federal budget introduced the *Innovation Superclusters Initiative*, $950M to support business-led innovation superclusters of dense areas of business activity containing large and small companies, post-secondary and other research institutions. The Canadian mining industry developed the pan-Canadian supercluster initiative, CLEER (Clean, Low-Energy, Effective, Engaged and Remediated) that while shortlisted, was not among the final five that received funding.

2. Enhancing Indigenous Participation and Reconciliation

Government investments to improve the socio-economic conditions in Indigenous communities and improvements to the duty to consult framework are foundational to economic reconciliation and enhancing the meaningful participation of Indigenous Peoples in the mineral industry.

More than any other sector, the mineral industry is at the forefront of Indigenous economic reconciliation in Canada. For decades the industry has long recognized that it is essential to develop and maintain respectful, strong, trusting relationships with Indigenous communities impacted by or with an interest in mineral exploration and mining activities. Governments and Indigenous communities are increasingly embracing the reality that exploration and mining in northern and remote parts of the country provides significant economic opportunities where little to no other options exist. Economic development spurred by mineral industry projects and agreements includes education, training, jobs, business development and financial considerations, as well as other initiatives to help ensure mining projects bring long-lasting benefits to local communities. In short, mining is a proven accelerator of Indigenous economic reconciliation.

From exploration to mine closure, the mineral industry engages with communities impacted by their projects in order to share information, work together on issues related to environmental mitigation, monitoring, and cultural protection, as well as to develop partnerships and initiatives that generate economic opportunities and real wealth for communities. The industry further supports participation through training, business development, employment, social investments and financial arrangements. As a result of its efforts, the minerals industry has become the largest private-sector employer, on a proportional basis, of Indigenous people in Canada.

A key mechanism through which economic opportunities have been created is through innovative, progressive and mutually beneficial partnerships with Indigenous communities, for which Canada is the undisputed global leader.

Since the ground-breaking 1974 Strathcona Agreement for the Nanisivik Mine in Nunavut, Natural Resources Canada estimates that 500 bilateral agreements between companies and communities have been signed, and that 400 of them remain active. One Canadian company, Goldcorp, has 26 active agreements alone. These voluntary agreements are increasingly recognized internationally as a leading practice. Agreements are a testament to the strength of the industry's commitment to developing mutually-beneficial partnerships, and the interest of many communities in economic development opportunities generated by the mineral sector.

There is potential to further increase participation by Indigenous Peoples in the minerals industry, particularly in the context of industry's ongoing efforts to support reconciliation. However, a number of adverse socio-economic conditions faced by communities can limit the ability to meaningfully participate in the minerals industry and maximize opportunities generated by exploration and mining.

The Crown's Duty to Consult

Furthermore, challenges continue to arise with regards to the Crown's implementation of its duty to consult and accommodate Indigenous Peoples. Most jurisdictions have produced policies, frameworks and/or guidelines to govern consultation processes. This has led to a patchwork of jurisdiction-specific consultation policies and guidelines that vary in a number of ways in terms of their content and application. Despite efforts by governments to delineate consultation processes and, in some cases, provide guidance for proponents on their role in consultation and engagement, implementation challenges persist and can delay projects, increase costs and investor uncertainty, and have negative impacts on company and community relationships.

In general, the industry strongly believes that collaborative efforts by all parties – government, industry and Indigenous communities, based on a shared understanding and recognition that the mineral sector is a key catalyst for Indigenous economic reconciliation – will lead to more stable and positive business environments for mineral exploration and development, maximize benefits for all parties, and enhance Indigenous participation in the minerals and metals industry.

Recommendations:

- *CMIF recommends that governments support industry efforts to enhance the participation of Indigenous Peoples in the industry through:*
    - *Foundational social investments (health, housing, water, education) that contribute to better health and educational outcomes for Indigenous Peoples; and,*
    - *Targeted funds for skills training and entrepreneurship to assist Indigenous Peoples in securing employment and business development opportunities generated by the industry.*
- *CMIF recommends that the Crown revises, where required, its consultation processes with Indigenous communities to ensure that it adequately discharges its duty to consult and accommodate in relation to mineral development.*
    - *Specifically, when developing a path forward for clarifying consultation and accommodation in the new Impact Assessment (IA) assessment process, it is important to consider a number of challenges that have been identified across Canada related to the implementation of the duty to consult (see Annex A).*

Specific Provincial and Territorial Recommendations:

- *We urge ministers responsible for natural resources to:*
    - *Invest in capacity-building programs for Indigenous communities at the regional level, in proximity to areas of potential and current mineral activity.*
    - *Where appropriate, improve mechanisms through which governments share the benefits and/or a portion of the existing revenues generated by mining with impacted Indigenous communities (i.e. government resource revenue sharing).*
    - *Review consultation processes with Indigenous communities to address common challenge areas that have been identified in relation to the Crown's implementation of its duty to consult and accommodate (see Annex A). This will support the protection of Aboriginal and treaty rights and avoid delays, increased costs, investor uncertainty and negative impacts to company-community relationships.*

3. Accessing Prospective Lands

Canada's ability to attract mineral investment, accelerate its rate of discoveries and advance projects to mine development is contingent upon responsible access to prospective land, with which Canada is so well endowed.

Canada's excellent and envious geological endowment is one of our primary competitive advantages over other countries. To capitalize on this advantage, mineral rich areas must be open for exploration to increase the probability of making a discovery. The availability of prospective land, therefore, profoundly influences investment decisions made by companies. As land withdrawals remove accessibility to prospective areas, Canada becomes a less attractive place to explore, resulting in companies going elsewhere. While CMIF members understand the value of protecting ecological and cultural sites, we also wish to highlight the importance of ensuring that mineral and energy potential is factored into all land withdrawal decision making processes so that rights-holders, stakeholders and governments have the full scope of information available to them. The issue of land withdrawals is a key factor affecting the ability of jurisdictions to attract investment and the ability of the industry to make discoveries that could lead to mines.

In recent years, several jurisdictions have made commitments to prohibit economic development in significant portions of their respective jurisdiction (e.g. the *Far North Act* in Ontario calls for 50% of northern Ontario to be withdrawn). At times, the scientific basis for these commitments is not clear. In addition, the processes by which these targets are being developed are not always transparent or inclusive of various types of information, including economic development potential.

Further, as part of Canada's 2020 biodiversity goals and targets, Canada is committed to ensuring that at least 17% of the country's terrestrial and inland water areas and 10% of coastal and marine areas are conserved by 2020 through networks of protected areas and other effective area-based conservation measures. As the Government of Canada works in collaboration with Indigenous communities and other stakeholders to meet its protected areas commitment, a balanced approach that considers socio-economic opportunities and is based on sound science must be applied to ensure significant and prospective mineral development areas are not unduly removed from potential exploration and development.

Protecting Caribou – The Current Approach Fails Both Caribou and Industry

Mineral industry challenges are compounded by the lack of long-term compliance and permitting mechanisms under the *Species at Risk Act* (SARA), and by inadequate coordination between the federal and provincial/territorial levels of government, which have caused uncertainty for project proponents in several regions. For example, the *Canada-British Columbia Southern Mountain Caribou (Central Group) Protection Study* noted that the federal government and the province have differing views on what habitat is required for recovery. Ensuring coordination on the definition of critical habitat is essential to ensure recovery actions are consistent and provide clarity for land users. A common approach to species at risk, as outlined in the *National Accord for the Protection of Species at Risk*, is necessary for the successful protection and recovery of species at risk across the country.

October 5, 2017 was the deadline for boreal (woodland) caribou range plans. However, few provinces and territories have published or implemented their plans. Of those that have been developed, it is unknown whether the federal government has deemed them sufficient to meet SARA requirements. This delay is causing uncertainty for mineral projects that overlap in any way with critical habitat for boreal woodland caribou. The status quo makes planning for the future impossible, will manifest in fewer investments in many regions of Canada, and will harm those already underway. Meanwhile, increased disturbances by other industrial sectors and recreational activities by other industrial sectors in already highly-disturbed ranges are extremely problematic for the recovery of woodland caribou, which need large areas of undisturbed habitat to be self-sustaining.

It is the joint responsibility of the federal government and the provinces and territories to clarify the situation, while acknowledging that the provinces and territories are best placed to manage land-based decisions. Their plans must take into account overall ecosystem health, the needs of multiple species, Indigenous interests, community aspirations, socio-economic impacts and benefits, and, most importantly, sound science that reflects local circumstances.

Recommendations:

- *CMIF members appreciate that certain lands will be withdrawn from resource development activity due to biodiversity or cultural value. However, land use decisions and the creation of any protected areas must:*
    - *Balance diverse goals and values, including economic.*
    - *Be credible, inclusive and evidence-based processes.*
    - *Include a comprehensive mineral resource assessment, based on geoscience studies, to understand the value of mineral potential (See Annex B).*
- *With regards to the Species at Risk Act and ensuring access to land for proposed projects, the federal government must:*
    - *Work with provincial and territorial governments to encourage consistent and complementary approaches to species protection and recovery, and to ensure the generation, sharing and application of the best available information needed to support protection and recovery efforts.*
    - *Work with provinces and territories to ensure that caribou range plans are based on local circumstances and sound science, and are published in the short-term.*
    - *Consider an alternative multi-species approach that is place-based and allows for regional variability and consideration of location-based circumstances.*
    - *Ensure that the implementation of the draft Policy on Critical Habitat Protection on Non-federal lands recognizes standards of practice developed by industry as well as protective measures implemented by other federal departments, provincial and municipal governments.*

Specific Provincial and Territorial Recommendations:

- *CMIF members recommend that provinces and territories:*
    - *Work towards requiring processes, such as comprehensive mineral resource assessments, that study and consider the mineral potential of lands prior to making land use/land withdrawal decisions.*
    - *Gather information on the manner in which mineral and energy potential is factored into land withdrawal decision-making processes, including an inventory of leading practices that can be shared with other jurisdictions.*

4. Climate Change

Climate change policies must ensure the competitiveness of emissions-intensive and trade-exposed (EITE) sectors, and be sensitive to changing economic and geographical realities.

CMIF members will continue to be constructive partners in addressing climate change. However, any successful carbon pricing regime must reduce emissions while growing the economy by ensuring companies remain competitive.

This includes, but is not limited to, being revenue neutral, being sensitive to remote and northern regions, and protecting emissions intensive and trade-exposed (EITE) sectors, like the mineral industry. If not addressed, it will result in “carbon leakage” – the shifting of production and the associated economic benefits from countries that are taking action on climate change to those that are not. This, in turn, will generate higher global emissions and will put Canada's mines, smelters and refineries, among the world's lowest carbon operations, at a significant competitive disadvantage – a "lose-lose" scenario.

The Federal Climate Change Regulatory and Policy Landscape: Cumulative Effects of Potentially Duplicative Initiatives

CMIF notes the following concurrent climate change related initiatives being pursued by the federal government:

- Proposed Regulations for Coal and Natural Gas Fired Electricity Generation
- Proposed Regulations for a Clean Fuel Standard
- Proposed Regulations on an Output Based Pricing System
- Proposed Regulations for Stationary Diesel Engines
- Proposed enhanced GHG reporting requirements
- The current *Pan-Canadian Framework on Clean Growth and Climate Change* technical backstop consultation.

While each of these initiatives requires consideration independently of the others, it must also be assessed whether and how they interrelate. It is critical that all initiatives work harmoniously as a package to create a consistent, coordinated and complementary approach.

In the growing patchwork of Canada's climate change space, provincial and federal policies are increasingly likely to target the same GHG emissions. CMIF is concerned that existing or developing regulatory initiatives result in double regulation of the same emissions in one or more respects. We worry that some of these initiatives will duplicate or conflict with what provincial governments are already doing. This duplication would increase overall costs, create additional reporting and compliance burden, frustrate private sector innovation, and generally discourage investment in Canada's mineral sector, all without achieving significant additional GHG emissions reductions. The multitude of additional costs related to these initiatives is negatively affecting the industry's global competitiveness.

Climate Change and the North

Northern energy costs are compounded by the infrastructure deficit, both in the territories and the remote regions of provinces. The extremely limited reach of transmission and distribution infrastructure means mines and development projects are off-grid and are, therefore, dependent exclusively on diesel with very few exceptions. Beyond the cost of fuel itself, the cost-per-unit of delivered fuel is inflated significantly by associated investments essential to supporting the mineral project's energy supply chain. Fuel switching opportunities are also limited and are contingent on geographical considerations.

Taken together, the infrastructure deficit and state of currently available technologies will not provide sufficient options to displace diesel (and associated emissions) on the scale required to avoid companies absorbing the carbon price almost exclusively as a cost of business.

As the government develops its backstop mechanism – one of the territorial governments are likely to resort to deploying due to capacity constraints – the federal government must build recognition of northern factors into climate change policies and regulations. One-size-fits-all policies have not worked in the North before, and climate change policy is no different.

Recommendations:

- *Any new carbon price regime must:*
    - *Be revenue neutral, protect emissions intensive and trade-exposed sectors, and address the unique challenges faced by remote and northern regions.*
    - *Clearly demonstrate complementarity before adopting non-pricing climate change policies and regulations to avoid cumulative effects. This demonstration should include a robust and publicly-disclosed economic impact assessment.*
- *Failing to avoid cumulative effects in existing or developing regulatory initiatives will result in double regulation of the same emissions in one or more respects.*

Specific Provincial and Territorial Recommendations:

- *Provincial and territorial governments should work with the federal government to make strategic, large-scale and transformative energy infrastructure investments (including hydro, micro-nuclear, natural gas, among others).*
- *Governments should enhance collaboration with mineral companies and mining associations in their jurisdictions to increase awareness of rapidly evolving federal developments and strive for alignment and consistency of messaging and positioning in response.*

5. Investments in Innovation and Geoscience

Government investments in geoscience and innovation will spur mineral activity and enhance efficiency, productivity and environmental performance.

While the mineral industry invests millions each year in research and development, Canada underperforms compared to its peers. At risk is Canada's ability to attract new investment as other jurisdictions offer more attractive innovation environments.

To remain sustainable, progressive and profitable, the mineral industry must innovate and collectively challenge existing ways of thinking. Through innovation investment from industry and governments, the Canadian mineral industry can address these critical business challenges and continuously improve the sector's environmental and health and safety performance. This will help ensure that Canada's exploration and mining sector can maintain and grow its immense socio-economic contributions to communities across the country, while meeting Canadians' evolving expectations of the industry's environmental performance.

There was considerable disappointment earlier this year with the federal government's decision to not fund the mineral sector Supercluster proposal under the Innovation Superclusters Initiative (ISI). The funding would have provided a much-needed boost to Canadian mineral industry competitiveness. In addition, it would have strengthened the sector's ability to embrace opportunities relating to the transition to a low carbon economy, and supplemented CMIF member R&D and innovation initiatives and investments in areas such as developing and adopting low emission and renewable energy technologies that reduce emissions, improving grinding and processing to reduce or eliminate water use, and enhancing tailings management to reduce waste.

Furthermore, government investment in public geoscience has historically played a critical role in attracting exploration activity to Canada and supporting successful discoveries. Mineral exploration in Canada is increasingly more difficult and costly to conduct. Explorers must search for deposits in more challenging environments such as at depth, in areas of covered terrain and in remote areas. These challenges generate uncertainty and increase the risk associated with locating and delineating exploration targets, as well as costs for companies operating in Canada, particularly in the North. Significantly expanded, rigorous geological studies are needed in Canada – Canada's North is still under-mapped and major gaps still exist. Mapping projects in under-explored areas are critical, as is revisiting recently explored mapping sheets and conducting more detailed mapping programs over mineral prospective areas. Existing government initiatives such as the Targeted Geoscience Initiative IV (TGI) and the Geo-mapping for Energy and Minerals (GEMS) are important tools to enhance the probability of exploration success in Canada and to ensure that discoveries are made in an efficient manner.

Recommendations:
The federal government should:

- *Invest in the testing and de-risking of new exploration techniques and technologies.*
- *Create a significant, strategic and focussed program for the mineral industry that makes use of existing tranches of funding, either through a special budget allocation or from other programs such as the Clean Growth Fund, Strategic Innovation Fund, Low Carbon Economy Challenge Fund, Sustainable Development Canada, NSERC Business Led Networks, etc.*
- *Significantly expand rigorous geological studies across Canada, particularly north of 60.*
- *Provide financial support to catalyze private sector innovation investments, leading to real progress in energy efficiency, environmental protection and business productivity.*

Specific Provincial and Territorial Recommendations:

- *Governments should continue and enhance support of the work of geological surveys to conduct geological studies that will generate key data to drive exploration.*
- *Governments must consciously test and de-risk new exploration techniques and technologies, including through the work of the geological surveys.*

6. Remote and Northern Exploration and Mining

Various challenges in remote and northern Canada must be addressed to support mineral investment and project advancement, and enhance economic development opportunities for northern and Indigenous communities.

The future of Canada's mineral industry lies increasingly in remote and northern regions, areas that exceed one-third of Canada. These regions are extremely unique and experience various circumstances that influence/impact the activities and success of mineral industry in various ways. For example, extreme temperatures, disparate communities, virtually no transportation infrastructure or people for hundreds of kilometres, lack of alternative energy sources, some of the highest per-capita living costs in the country.

While there are many factors that affect a company's decision on where to explore and whether or not to develop a mineral deposit into a mine (grade, commodity prices, fiscal regime, corporate strategy), costs are a primary driver. Costs are largely a function of remoteness – remote deposits cost significantly more to find, develop and mine.

The development of infrastructure in remote and northern Canada is critical to unlocking mineral potential and enhancing economic development opportunities. However, the cost premium faced by companies exploring and mining in remote areas due to a lack of infrastructure is a barrier to mineral development. Industry research has identified it can cost as much as 6 times more to explore and 2 to

2.5 times more to build new mines in northern regions compared to their southern counterparts. Further, a key impact of this cost premium is that undeveloped deposits are stranded. Reducing the costs of operating in the territories by just 10% through strategic transportation infrastructure investments, could help 5 or 6 new mines open up. Looking forward, the infrastructure deficit is the single largest barrier preventing upwards of 15 mines from starting or restarting production in the next decade, with total life-of-mine investment exceeding $35 billion – nearly 4.5 times the size of all three territorial economies combined in 2015.

By lowering costs and improving access, enhanced northern infrastructure would provide an incentive for increased mineral development that supports northern and Indigenous employment and business development, as well as revenue generation for governments

Given that much of the future of the Canadian mineral industry lies in remote and northern regions, actions to enhance their competitiveness as a destination for mineral investment is needed. The alternative is Canada losing out on development opportunities, and the associated benefits, to more competitive jurisdictions. That said, CMIF is encouraged by recent federal infrastructure investment decisions that recognize northern challenges and opportunities, such as the Trade and Transportation Corridors Initiative (TTCI), which dedicates $400 million for trade-enabling infrastructure in the territories.

CMIF also supports the Investing in Canada Plan, which allocates funding on a per-capita “plus” model. These are creative and much-needed investments in Canada’s North. Beyond these programmatic developments, positive funding decisions in support of the Yukon Resource Gateway ($360 million) and the Tlicho Road ($155 million) in the Northwest Territories will increase project viability and community connectivity, reduce costs and remoteness and, ultimately, lessen territorial reliance on Ottawa. CMIF also welcomes the creation of the Canada Infrastructure Bank (CIB) and continues to stress the importance of the CIB recognizing challenges facing Canada’s North and supporting economic development opportunities in remote locations. CMIF members support the evaluation of projects on a merit basis. However, the CIB should consider the unique circumstances of Canada’s North and the significantly higher costs associated with living or operating there to ensure applications are assessed on a level playing field.

The inclusion of cost recovery provisions in northern legislation is a critical issue with the potential to adversely affect mineral industry investment. A provision of the *Mackenzie Valley Resource Management Act* (MVRMA) provides that the Minister of Indigenous and Northern Affairs be entitled to recover three categories of costs from an applicant or licensee. The costs eligible for recovery are those the Minister incurs in relation to an application for a water license or its amendment, renewal or cancellation. Similar provisions exist in the *Yukon Environmental and Socio-economic Assessment Act* (YESAA) and the *Nunavut Planning and Project Assessment Act* (NUPPAA) in both Yukon and Nunavut, respectively. There is concern that exploration and mining companies will become vulnerable to accommodating the recovery of costs, which may be impossible to quantify or adequately define, particularly during a complex or lengthy application process. Circumstances of this kind create uncertainty, increased costs in exceptionally high-cost jurisdictions would amount to yet another factor discouraging exploration and development initiatives in the North.

Recommendations:

- *CMIF strongly encourages the continuation of strategic investments in critical transportation and energy infrastructure in remote and northern regions, including a renewal of the National Trade Corridors Initiative, complete with a re-up of the $400 million allocation for Canada's North.*
- *CMIF recommends that the Canada Infrastructure Bank has a strong economic development focus for northern Canada.*

Specific Provincial and Territorial Recommendations:

- *Considering the extremely high costs of operating in northern and remote regions of Canada, cost-recovery provisions outlined in various legislation should be removed.*
- *Investments in alternative energy sources, such as small-scale nuclear power, should be made.*
- *Continue to advocate to the federal government for strategic infrastructure investments, including transportation and energy.*

7. Stimulating Investment through Strong Fiscal Policy

Jurisdictions with sound fiscal policies will ensure their competitiveness in the global minerals industry – various incentives, competitive taxation levels and efficient and reliable securities regulations can all positively influence investment.

Financing for Mineral Exploration

Sound fiscal policy is needed to ensure a jurisdiction's competitiveness in the global mineral industry. Canada's mineral industry experiences a number of unique circumstances (e.g. financing model, geographic location of projects, regulatory governance by different levels of government, etc.) and, as aforementioned, has faced extremely challenging times over the past five years in terms of financing.

Access to capital for Canada's unique mineral exploration and development sector can be difficult, even when the industry is not in a down cycle. Most junior exploration companies generate no income and fund the bulk of their activities primarily by issuing shares. Between 2011 and 2016, exploration expenditures in Canada are estimated to have dropped by 68%[6]. In addition to significantly reduced exploration expenditures in recent years, Canada's current reserves for many metals are less than half of what they were in 1980, pointing to the need for sustained exploration. As reserves are depleted, mines begin to close, and economic benefits disappear. The costs of making new discoveries are also on the rise with larger budgets being required to conduct exploration. Canada also faces structural challenges that make exploration and mining more expensive and less efficient. As much of the accessible deposits have been mined, there has been a shift towards exploration at depth and in remote, high-cost parts of the country. Further, the construction and operation of mines in northern and remote regions are also significantly more expensive due to the costs of energy and lack of infrastructure. Various fiscal incentives such as provincial and territorial tax credits and assistance programs, and the federal Mineral Exploration Tax Credit (METC) are critical policy tools that support and stimulate mineral exploration.

The Tax Cuts and Jobs Act reforms have significantly reduced Canada's mining tax competitiveness vis-à-vis the United States:

Canada's mining tax regime has been falling behind international competitors for several years. Budgets

[6] PDAC's State of Mineral Finance report, 2018

2012 and 2013 reduced or eliminated several direct and indirect mining related tax credits. In areas such as dividend withholding tax and corporate restructuring rules, other jurisdictions have amended their fiscal regimes to better attract foreign direct investment while Canada has not. Most recently, the Tax Cuts and Jobs Act reforms have significantly reduced Canada's mining tax competitiveness vis-à-vis the United States.

Essential to understanding the impact of recent tax changes in the United States of America (U.S.) is appreciating the cumulative effect of the broader package of reforms, and not focusing exclusively on changes to the headline corporate income tax rate. The table in Annex C provides a comparative overview of several measures that enhance the competitiveness of the U.S. mining tax regime over that of Canada, including reforms to, or the introduction of:

1) A lower aggregate corporate income tax rate.
2) A 100% immediate depreciation rate for eligible capital investment.
3) A robust tax mechanism for high margin goods or services destined for export (amounting to ~8% tax reduction for eligible goods and services).
4) A generous resource allowance of up to 50%.

The cumulative competitiveness increase of these measures when compared to Canada is significant. The below table models the implications of the new U.S. tax regime against the status quo tax system in Canada on the same copper mine. It illustrates an approximate 40% to 50% reduction in the effective tax rate for the same mine in the United States compared to Canada (See table in Annex D):

Significant actions are required by Canadian governments to reduce Canada's waning international mining tax competitiveness. For example, to be competitive with the new U.S. tax rate for exporters (16.06%), federal and provincial governments would need to reduce their corporate income tax rates to 8% respectively or reinstate a resource allowance of 33%. Given Canada's reliance on foreign direct investment for economic growth, and the interconnectedness of our respective economies, these reforms present a significant challenge to Canada's attracting the investment on which our economic wellbeing depends. Expedient, equivalent, and multi-faceted tax reform to improve Canada's competitiveness vis-à-vis the United States, and internationally, are needed.

Given the contextual realties of mineral exploration and mining in Canada, ensuring a competitive landscape through changes to the tax regime and by stimulating investment through government fiscal policies is critical.

Recommendations:
With regards to fiscal supports for mineral exploration:

- *CMIF calls upon the federal government to maintain the highly-efficient and effective flow-through shares system that allows companies to attract risk-tolerant capital for early-stage exploration activities in Canada, as well as to renew the Mineral Exploration Tax Credit (METC) for a minimum period of three years in Federal Budget 2019.*
- *The collaboration of different government departments at all levels with industry could assist greatly in helping decision-makers and financial regulatory authorities understand the unique features and requirements of the mineral exploration and development sector, initially with a view to providing greater guidance and transparency in fiscal programs and addressing some of the regional disparities across Canada.*

- *Exploration for the minerals and metals that are crucial to a low carbon future in Canada are, in many cases, at a grassroots stage and could be at risk of being uneconomical. Fiscal incentives by government could help support the exploration for and mining of these critical materials and metals, while also presenting an opportunity of positioning Canada as the global supplier of choice.*

With regards to tax policy, CMIF recommends that government consider options such as:

- *Reducing the headline CIT rate to achieve equivalency with the US rate for exporters or reinstate a 33% resource allowance.*
- *Reversing, reinstating and enhancing mining tax reforms from Federal Budgets 2012 and 2013, including augmenting the Accelerated Capital Cost Allowance to include zero declining balance to match the U.S.*
- *Phasing out Dividend Withholding Tax Rules to bring Canada in line with many other countries that have augmented their competitiveness vis-a-vis Canada in this respect.*
- *Introducing a substantial shareholder exemption for corporate reorganization performed by Canadian or foreign groups to be tax free and allow for a better allocation of capital.*
- *Modernizing the tax treatment of qualifying environmental trusts (QET) by extending the carryback period from 3 to 7 years, allowing the reclamation to be deducted at the consolidated level when incurred regardless of which mine is being reclaimed, and by making QETs tax-exempt until the distribution of funds.*
  **See Annex E for a comprehensive description of the above recommendations*

Specific Provincial and Territorial Recommendations:

- *CMIF recommends provincial and territorial mines ministers:*
  - *Support for capital flows into mineral exploration in Canada by maintaining, adopting and enhancing fiscal incentives for early-stage exploration, such as tax credits, exploration incentives, prospector assistance programs and venture capital funds.*
  - *Encourage the federal government to renew the Mineral Exploration Tax Credit (METC) for a minimum period of three years.*

CONCLUSION

Canada is rich in mineral resources and our enviable economic prosperity and standard of living, relative to most other nations, is largely a reflection of our ability to responsibly develop our natural resource advantage. With supportive government policy, Canada's mineral industry will be able to seize emerging opportunities such as supplying the sustainably sourced materials needed to build the products and infrastructure essential to modern life, including key clean growth technologies that will power the transition to a low carbon economy. However, an increase in global competition for mineral investment, Canada's stagnation and decline on various fronts as compared to other jurisdictions, and numerous policy factors have shifted the landscape of which Canada previously enjoyed clear mineral industry dominance and is putting at risk the industry's ability to seize opportunities. Returning to a position of dominance will only be achieved with proactive collaboration between federal, provincial and territorial governments, collectively working towards solutions.

If Canada does not respond to ensure the global competitiveness of the mineral sector, its reputation and attractiveness as a location for mineral investment will continue to decline over time, along with the social and economic benefits that accompany it.

ANNEXES:

Annex A:

The Crown's Duty to Consult – Common challenges across jurisdictions
Most jurisdictions have produced policies, frameworks and/or guidelines to govern consultation processes. This has led to a patchwork of jurisdiction-specific consultation policies and guidelines that vary in a number of ways in terms of their content and application. Despite efforts by governments to delineate consultation processes and, in some cases, provide guidance for proponents on their role in consultation and engagement, implementation challenges result in the form of delayed projects, increased costs, investor uncertainty, and negative impacts to company and community relationships.

PDAC research, conducted in partnership with officials from each jurisdiction and CMIF members, has identified the following common areas of concern related to Crown consultation processes at the federal, territorial and provincial level, including:

- *The determination of the trigger, nature and scope of consultation required:* many jurisdictions in Canada lack a clear, transparent (public), systematic consultation framework – a graduated approach to consultation that incorporates an objective, consistent, proportional and transparent assessment of the potential for activities to infringe Aboriginal or treaty rights.
- *Identification of potentially impacted communities:* the identification of potentially impacted communities for Crown consultation and community engagement is often inconsistent between different levels of government, and is not transparently linked, if at all, to the nature of asserted rights or the level of impact.
- *Roles and responsibilities – delegation to proponents:* in a number of jurisdictions the responsibility for and role of various parties (Crown, Indigenous and proponent) in formal consultation is ambiguous, uncertain and/or inconsistent. This ambiguity has also contributed to the conflation of legal Crown consultation and voluntary, proponent-led community engagement activities as it is often unclear how the two processes are distinct.
- *Responsibility for the costs of consultation:* the duration and frequency of consultation can be quite costly. While there is currently no existing case law on the subject, the Crown should assume the responsibility for the costs in discharging its duty.
- *Adhering to timelines – consultation and decision-making:* there is a lack of transparency or clarity with regards to the ways in which consultation could impact permitting timelines, particularly with regards to what "stops the clock", how this decision is made and by whom, and if it is applied consistently.
- *Assessing the adequacy of consultation:* the factors considered by the Crown when determining consultation adequacy are not made explicit in jurisdiction-specific consultation policies and guidelines. The absence of transparent factors against which consultation is measured results in confusion as to whether the Crown's duty has been sufficiently discharged and, inevitably, delayed projects and court challenges.
- *Accommodation ambiguity and the blurring of accommodation measures linked to impacts on rights with commercial company-community agreements:* there is a lack of clarity regarding accommodation as it relates to establishing when it is required, who is responsible, and what form is adequate (e.g. mitigation vs. compensation). Linked to this ambiguity is the increasing lack of distinction between formal accommodation measures (resulting from formal, Crown consultation) and commercial, company-community agreements (resulting from engagement).

Annex B:

Land Use Decision-Making Processes – Key Considerations
Canada's ability to attract exploration investment and sustain its rate of mineral discoveries is contingent upon access to prospective land. Jurisdictions should ensure that land use/land withdrawal decisions – whether through legislation, regulations, or policies – are made through systematic, structured processes that are:

- ***Transparent:*** *the process by which a land use decision is made should be clear to all parties and outlined well in advance.*
- ***Inclusive:*** *land use planning and land access decision-making should entail a collaborative dialogue among all parties who have a particular interest in the lands or regions in question.*
- ***Evidence-based:*** *decisions should have sound rationales drawn from adequate data as well as the input brought in from meaningful multi-stakeholder dialogues. Economic data should include a rigorous, scientific analysis and assessment of the potential mineral value of lands to reduce the risk of alienating highly mineralized areas, and to assist with balancing competing objectives based on information of sufficient scope and quality.*
- ***Holistic:*** *decisions should be based on a comprehensive set of information that is comprised of environmental, social and economic data, including mineral potential and Indigenous traditional knowledge.*
- ***Flexible:*** *land use planning and land access regimes, particularly protected areas and other types of land withdrawals, should be sufficiently flexible and contain built-in mechanisms for periodic review. A dynamic and adaptive approach that takes into account new information, fresh insight or updated analysis is necessary.*
- ***Adequately resourced:*** *adequate capacity, resources, expertise and information for decision makers to assess the long-term economic, social and environmental consequences of any land-related decisions.*

ANNEX C:
Comparative Overview of Several Tax Measures – USA and Canada

		Canada	USA
Tax rate	Federal	15,0%	21,0%
	Province / State (deductible)	11,5%	6,0%
	Total	26,5%	25,7%
Tax rate on export (FDII - high margin goods or services)		26,5%	16,1%
Depreciation rate		25% DB	100%
Resource Allowance / Percentage Depletion		N/A	up to 50%
R&D Credits		all	incremental
Interest deduction		Thin cap rules	30% EBITDA
Loss carry forward			
	pre-2018 losses	100% income	100% income
	post-2017 losses	100% income	80% income

ANNEX D:

Simplified comparative tax computation (copper mine)
USA vs. Canada

		USA	Canada		USA	Canada
Revenue		1 000 $	1 000 $		2 000 $	2 000 $
Deductible costs		(800)$	(800)$		(800)$	(800)$
Taxable income before percentage depletion		200 $	200 $		1 200 $	1 200 $
Percentage depletion						
Lesser of						
50% of mining profit	100 $			600 $		
15% of gross mining revenue [1]	150 $	(100)$	N/A	300 $	(300)$	N/A
		100 $	200 $		900 $	1 200 $
Taxable income						
Federal Tax		21,0%	15,0%		21,0%	15,0%
State (deductible) / Provincial tax		6,0%	11,5%		6,0%	11,5%
		25,7%	26,5%		25,7%	26,5%
Income tax payable		26$	53$		232 $	318 $
Effective tax rate		12,9%	26,5%		19,3%	26,5%

1) Percentage of gross mining revenue varies with the ore mined.
2) Taxpayers can deduct the highest between depletion and the percentage depletion. Depletion is computed on capitalized development costs.

ANNEX E:

Context for Tax Policy Reform Recommendations:

With regards to tax policy, the CMIF recommends that government consider:

- *Recognizing that multi-faceted action is needed, and no silver-bullet can address the gap in Canada-US Tax Competitiveness: The U.S. tax reform package was comprehensive, including competitiveness enhancements to corporate income tax, capital investments, export-facing activities and the introduction of a de facto resource allowance via percentage depletion. Canada's response should be equivalent by degree and/or extent to halt ongoing investment leakage, and encompass consideration of all available options (including reduction of the headline CIT rate to achieve equivalency with the U.S. rate for exporters or reinstatement of a 33% resource allowance).*
- *Reversing, reinstating and enhancing mining tax reforms from Federal Budgets 2012 and 2013: Budgets 2012 and 2013 reduced Canada's global attractiveness for mineral investment by reducing or eliminating several direct or indirect mining tax credits. Since that time, Canada's global share of mineral investment has shrunk, and Canada has witnessed six consecutive years of reduction in capital investment in the mining industry. In its 2017 Pre-Budget Consultation report, the House of Commons Standing Committee on Finance recommended the government review these changes. Building off this, CMIF recommends the government reverse and reinstate:*
    - *The Atlantic Investment Tax Credit*
    - *The Corporate Mineral Exploration and Development Tax Credit*

- *The Accelerated Capital Cost Allowance for mining (with zero declining balance to match the U.S.)*
- *The Canadian Exploration Expense and the Canadian Development Expense*

- *Phasing Out Dividend Withholding Tax Rules: Dividend withholding tax is an additional income tax that becomes payable when profits are distributed to foreign shareholders (other than tax-exempts such as pension funds resident in treaty countries), and serves as a barrier to attracting foreign direct investment. Canada's dividend withholding tax varies between 5% and 25%, creating an uneven playing field. When added to mining and corporate income taxes, total tax on profits remitted to foreign shareholders reach between 30 % and 61%. To facilitate the flow of funds and cross-border investments needed for project development, many countries no longer require dividend payers to withhold tax. The United States has entered into numerous tax treaties that provide for a 0% dividend withholding tax rate. Australia does not require dividend withholding tax to be remitted when a sufficient amount of corporate tax has been paid. Similar statements can be made for many other countries that have augmented their competitiveness beyond Canada in this respect. A capital importing nation such as Canada would benefit from eliminating this disincentive for foreigners to invest in our economy, particularly given the prominence of this country's capital-intensive resource sector.*
- *Introducing a Substantial Shareholder Exemption: While business is not static and corporations need to reorganize and focus on their strengths, the Canadian tax system is imposing a cost on those that are trying to do so, leaving assets in the hands of suboptimal owners. Many countries have dealt with this issue by providing capital gain tax exemption (Substantial Shareholder Exemption) on the disposal of shares of corporations that have been owned for more than a year. MAC recommends that Canada introduce a Substantial Shareholding Exemption for corporate reorganization performed by Canadian or foreign groups to be tax free and allow for a better allocation of capital.*
- *Modernizing the Tax Treatment of Qualifying Environmental Trusts (QET): Closure costs constitute large components of capital investment with regards to mining. Substantially all of a mine's closure costs are incurred in years in which the mine has ceased production and has no offsetting revenues. Currently, income tax rules allow only a three year carryback and often the closure costs are incurred outside this window, reducing a company's ability to maximize the utility of tax credits in support of reclamation efforts. Further, where satellite deposits are discovered after a mine has closed, reclamation may be deferred even longer so the QET ties up cash/treasury lines too long to be financially affordable. In practice, the restrictions, costs and limitations of the QET mechanism render its use uncommon. The solution would be to extend the carryback period from 3 to 7 years, allowing the reclamation to be deducted at the consolidated level when incurred regardless of which mine is being reclaimed, thus avoiding or reducing stranded or unusable tax deductions. Further, QETs should be tax-exempt until distribution of funds (an RRSP-style approach) given their purpose is to ensure appropriate stewardship of the environment, and the tax system should promote and not constrain such activities.*