



**Canadian Mining in a Changing World**  
***Address to the Greater Vancouver Board of Trade***  
***September 27, 2017***

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

I come at a time when the industry has significantly more spring in its step. Many commodity prices are rebounding, sending an encouraging signal that the downturn is now in our rear-view mirror.

While volatility persists, optimism is returning to the global mining industry. And this could spur mining companies to make new and significant investments.

For the past couple of years, I've been emphasizing to governments that it's in a downturn that we need to focus on the policies and initiatives necessary to prepare for the next upswing. Today, I'll talk a bit about how well we've done on that front and what more we need to do.

What I have to say will be sobering. But I'll try, as well, to present a future that has the potential to be very bright for Canadian mining.

### **The Gloom**

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

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

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

Today, however, there are worrying signs that this leadership is eroding and, I fear, this erosion may accelerate in the upswing that's upon us.

Here's what I'm talking about.

- The number of active mineral projects is down by almost one-half from the 2011 peak of 2,700 projects.
- Only two new mining projects were submitted for federal environmental assessment in 2016 – an historic low. No new projects means no new mines coming online.

Sure, you could say this is just the market speaking. However, there's more worrying data:

- The top jurisdiction in the world for exploration investment since 2004, we fell to second place in 2015 behind Australia, with our share of global exploration dollars cut in half.
- Over the last five years, Canada has dropped ranks for 7 out of the 13 products for which we are a top-five global producer.
- The past 30 years has seen a decline in proven and probable mineral reserves of major metals such as zinc (87%), copper (33%), silver (84%) and nickel (67%).
- For as long as I've been in this sector, we've been the second largest home of mining supply and services companies, but we fell to third place last year behind Australia, and Brazil is nipping at our heels.
- Mining innovation dollars keep flowing out of Canada to places like Australia, Germany and South Africa.

As you probably picked up, we've lost most ground to Australia, which has been much more strategic and successful over the past decade.

This is paying dividends for them today, and just as we head into an upswing. In contrast to Canada, mineral production in Australia is poised to increase significantly as major projects advance into producing mines.

By 2019, zinc production is projected to jump by 21%, gold by 16%, and iron ore and nickel by 10% each.

Three new lithium mines have started production, a new copper mine is in construction and a nickel sulphate plant is coming online.

Meanwhile, here in Canada, we've got world-class deposits sitting idle.

Think about the unrealized potential in the Ring of Fire in Ontario, the Izok Lake zinc-copper deposit in Nunavut, and the New Prosperity mine here in BC. Unless we turn things around in the next few years, we're at risk of missing the boat in the new cycle that's upon us and falling further behind in the global mining business.

I'm not alone in voicing concerns about Canada's ability to attract new investment. Indeed, in a recent meeting MAC had with Finance Canada, officials acknowledged that there is an "investment chill" in Canada's natural resources space.

In a recent op-ed in the Vancouver Sun, our friend Greg D'Avignon of the Business Council of BC argued that BC and Canada writ large have fundamental challenges to their long-term prosperity.

While Greg's comments were made in the context of recent energy sector developments here in BC, what he says rings true for the mining industry.

His central point is that investors and companies closely watch what happens in Canada. And if they don't like what they see, they will invest elsewhere—and other countries will happily step up to welcome the opportunity.

Worrying indeed, though my intention today is to not leave you despondent. I'm here to tell you that what I fear does not have to be our future.

## **Sunnier Market Conditions**

Back to the market, first.

The recovery we're seeing today took root in 2016. PwC's latest Mine report noted that the top 40 global mining companies returned to

profitability last year. Together, they netted a profit of \$20 billion, compared to a \$28 billion loss the year before.

A big part of this recovery is healthier commodity prices.

Let's look at recent trends for several commodities that BC produces.

Prices of base metals have steadily increased in recent months—some by an astounding amount.

Steelmaking coal, which is coming down from price heights driven by supply side interruptions, remains higher than the lows seen 18 months ago.

Copper, while stubbornly low earlier in the year, increased from \$2 per pound in January to more than \$3 per pound earlier this month (though down a bit since then).

Meanwhile, zinc reached a 10-year high in mid-August, which seems to have staying power.

Precious metals have also fluctuated, but remain higher than the 2015 lows. Gold is up roughly 15% over the last 18 months, though tracking a volatile course.

This upswing is happening just as we're entering a new era that could have profoundly positive impacts on the mining sector.

There are two global trends that will greatly influence the demand for mining products: a growing global economy and the transition to a low carbon future. I'll cover these next.

## **Global Forces of Growth**

### ***A Growing Global Economy***

The first point I want to make is that the fundamentals that drove the last super-cycle are still largely in place.

Looking forward, demand for mining products will continue to be driven by emerging markets.

The middle classes of the world's most populous countries continue to expand. And as they urbanize and modernize, they will drive up demand for mining products.

China's growth, while slower, is still significant and is starting to increase again. Consumption of minerals and metals is expected to accelerate as other emerging economies, particularly India, take their place behind China.

And the global economy seems to be on stronger footing. The International Monetary Fund forecasts that world economic growth will increase from 3.1% in 2016 to 3.5% in 2017, and will increase into 2018.

And here in Canada, our economy keeps surpassing expectations. In fact, the IMF forecasts that Canada will have the fastest-growing economy in the G-7 this year.

### ***Low Carbon Future***

Another growth opportunity for our industry is the global transition to a low carbon future.

Why? Because our products are the building blocks of low carbon technologies.

In a ground-breaking report, the World Bank concluded that the increased use of low carbon technologies in the areas of wind, solar and energy storage will increase the demand for mining products.

And global ambitions are rising.

Germany is aiming to become 80% renewable by 2050.

California, which is already tracking towards achieving one-third of its power from renewables by 2020, is considering a goal of 100% by 2045.

The adoption of solar and wind power has soared globally as prices have come down and reliability of the technologies has increased.

Since 2010, global solar power capacity increased 500%. Pretty astounding considering it was at effectively zero at the turn of the millennium. In 2016 alone, the amount of solar power added worldwide increased by 50%.

The global capacity for wind energy has also surged—the level in 2016 was more than 20 times the level in 2001. Need I remind you that it takes approximately 100 tonnes of steelmaking coal to produce the steel for the average wind turbine.

And look at what's happening in the transportation sector.

In July, Volvo announced it would only make fully electric or hybrid cars starting in 2019. The same month, France and Britain both announced they would end sales of gas and diesel vehicles by 2040. They join a chorus of countries with similar goals in mind.

Norway has set its sights of 100% electric or plug-in hybrid cars by 2025. India is considering no longer selling gas or diesel cars by 2030. And China just signaled it will follow suit in the near future.

The International Energy Agency projects that by 2020, up to 20 million electric vehicles could be on the road. By 2025, 70 million.

The rise of these technologies will dramatically increase the demand for mining products.

The International Copper Association estimates copper demand in electric vehicles alone will rise from 185,000 tonnes in 2017 to 1.74 million tonnes in just ten years' time, adding 10% to global consumption. This is because EVs need two to three times the amount of copper than their conventional counterparts.

As Canada's largest producer of copper, molybdenum, steel-making coal and a supplier of other key ingredients of clean tech, this certainly bodes well for BC.

I tell you all of this because there are two things that are abundantly clear.

First, the transition to a low carbon future is not years away from now – it has already started and is moving at rapid speed.

And, most importantly, Canada needs to figure out how to convert this low carbon future into a competitive advantage. If not, we will lose this incredible opportunity to other countries.

There are several reasons why Canada should be in a strong position to harness the potential of a low carbon future.

A country rich in resources, we can supply the products needed in low carbon technologies. But as a leader in sustainability, we will do so in the most responsible ways.

In fact, Canada's mining industry already operates some of the lowest-emitting, highest-tech, and most socially-responsible mining operations in the world.

This is important in a low carbon future, but also in an era when consumers are increasingly asking where their goods come from.

And on this point, companies that have implemented MAC's *Towards Sustainable Mining* program can prove that they walk the talk.

Our Canadian-made mining standard has caught the attention of Apple and other global companies that see it as a program robust enough to demonstrate responsible sourcing.

Carbon pricing can also be an advantage, if structured well and if the rest of the world moves in tandem. Because our operations are more energy efficient, it could mean that we can produce more cost-effectively than other countries.

All this said, Canada's mining sector could have a very bright future.

### **Planning today for tomorrow's mines**

But sunnier market conditions and projected increased demand for our products only takes us so far.

It is our policy environment that will be the decisive factor in determining whether the Canadian mining industry can seize growth opportunities.

And at the moment, our policy environment is very uncertain. Canadian governments will be making major decisions in the next few years that will directly impact the industry's competitiveness.

On the regulatory environment, the current federal reviews must result in a system that encourages sustainable mining development, instead of sending investments running to other countries.

Public confidence in project review is important; so is investor confidence. The regulatory reforms of 2012 lost both, at least for the mining sector.

We need reforms that put our system of project review, and the principle of one project/one review, squarely into action. And we need a federal process that no longer places an unfair and unequal burden on Canada's mining sector alone, which has sadly been the case since the federal regulatory reforms of 2012.

On climate change, MAC and its members have been constructive partners. We released policy principles last year to assist in the development of the pan-Canadian climate change plan—notable for our support for carbon pricing. What's key is how carbon price policies are designed and implemented, in BC and across Canada.

A successful regime is one that leads to meaningful emissions reductions while growing the Canadian economy. This means protections for emissions-intensive and trade-exposed sectors, like mining, a critical reminder to BC's new government and which the federal government's plan has acknowledged as necessary. It should minimize compliance burden, and be sensitive to Canada's remote and northern regions where few options exist to fuel switch from diesel.

For its part, the mining industry is doubling down on its innovation efforts, recognizing that it is key to our competitiveness and to us achieving our climate change commitments.

We've been recognized for our efforts in this space. A recent report by Clean Energy Canada called out the Canadian mining industry for being a leading adopter of renewable technologies.

The Vancouver-based think tank named our members' adoption of wind power, including Rio Tinto's wind farm at the Diavik Diamond Mine in the Northwest Territories and Glencore's wind turbine and wind storage facility at its Raglan Mine in northern Quebec—both the first of their kind in those regions.

Here in BC, the SunMine, built by Teck Resources on the reclaimed Sullivan Mine Concentrator site, is a 1 MW solar project owned by the community, the first and largest solar power project selling power to the BC Hydro grid.

Clean Energy Canada also pointed to Goldcorp, which is rolling-out an entire fleet of underground battery-powered vehicles at its Borden gold project in Ontario. Once operational, this will make it Canada's first all-electric underground mine, eliminating diesel emissions and dramatically reducing ventilation costs.

But we need to spur more innovation. This is why our industry is seeking government support, and recently submitted an innovation supercluster proposal.

Spearheaded by the Canada Mining Innovation Council and the Centre for Excellence in Mining Innovation, it could be the catalyst to achieve transformative outcomes for our industry, and help re-establish Canada as a global centre for mining innovation.

We also need to address the fact that the Canadian mining industry's growth opportunities are increasingly located in areas where infrastructure simply does not exist, or is severely lacking.

Why? Because it costs up to six times more to explore and more than double to build a mine in remote and northern Canada.

Fortunately, governments have been recently moving in the right direction. The federal government is helping northern communities get off diesel, and is carving out funds for the North to build trade-enabling infrastructure.

The NWT plans to build an all-season road to the Tilcho community, a \$150 million investment. More recently, the Government of Canada and the Government of Yukon announced combined funding of \$360 million to improve road access to two mineral-rich areas in the territory.

Two MAC members have projects in the region: Goldcorp's Coffee project and Western Copper and Gold's Casino project. Together, they will contribute billions in new investment, and will create thousands of direct and indirect jobs. Agnico Eagle, another MAC member, recently acquired 60,000 hectares of land in the territory for mineral exploration, which this infrastructure will also serve.

BC understands the relationship between infrastructure as a precursor to economic growth. The extension of the Northwest powerline to Iskut brought communities off diesel and enabled the development of the Red Chris mine by Imperial Metals, bringing jobs and wealth to Tahltan territory.

I've a pitch for you today. Finish the job and take that line all the way to the Yukon. With federal infrastructure funding available for green infrastructure, here's an opportunity to take more communities off diesel, open up BC's golden triangle, and deliver to Yukon reliable, clean energy. I believe Yukon wants it. Premier Horgan was a big fan of the powerline expansion back in the day. Here's a nation-building project he can get behind.

I could talk at length about each of these items and more, like the need for a reliable, cost effective rail transportation system, but the key takeaway is that we need all of them to enhance Canada's competitiveness.

This is critical as other countries are jockeying for the same opportunities in the global mining industry.

## **Conclusion**

As Warren Buffet said, "Someone's sitting in the shade today because someone planted a tree a long time ago."

If we act now, Canada can be the leading supplier of the sustainably-sourced minerals, metals and energy products the world needs, and the leading supplier of the technologies the world needs to best extract them.

Most days, I'm optimistic about our prospects.

The world is moving to an increasingly low carbon future – and mining is a part of the solution. Canada's public policies, and not just its rhetoric, must recognize this fact.

The World Bank said as much, stating that climate and sustainable development policies will require that mining development be seen as a complement – and not a competitor – to a greener, more sustainable future.

If we heed this advice, Canada can become the top producer of the minerals and metals the world needs at this incredible time of change.

Thank you.