The Canadian Mining Story

Translating Canada's Critical Minerals Strategy to Action

Photo: Vale

TSM

The Mining Association of Canada
L'association minière du Canada

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MAC Budget Submission 2024
Translating Canada's Critical Minerals Strategy to Action

In December 2022, Minister of Natural Resources, Jonathan Wilkinson, unveiled his government's Critical Minerals Strategy. The Strategy is a recognition that Canada urgently needs to speed up regulatory decisions on critical mineral projects if it wants to become a global leader in battery manufacturing, electric vehicles, wind turbines, solar panels, and other low carbon technologies.

Minerals like nickel, cobalt and copper are critical ingredients for electric vehicles and computer chips. Uranium is critical for zero-emission energy. Rare earths are needed for many high tech and defence systems. Many other mined materials not currently on Canada's critical minerals list, such as iron ore, silver, gold, steel-making coal and petroleum products, are all needed to build the energy infrastructure critical to the energy transition. To produce these materials needed to fight climate change, Canada must create a permitting, regulatory, and operating environment that is not only globally competitive, but also much more efficient and rapid than ever before. Investment dollars need to be attracted to the mining sector so that new mines can be built and that existing mines can be expanded, where applicable.

The success of any strategy depends on the effective implementation of appropriate programs, measures and tactics. In this case, the Critical Minerals Strategy will require careful design and implementation of legislative, regulatory, and fiscal frameworks. As government works to develop these frameworks, as part of the government's budget consultation process, MAC is pleased to provide a number of concrete and specific recommendations that will allow Canada to capitalize on the opportunities before it, in the most responsible manner possible. The recommendations are grouped into 5 subject matter areas:

1. Battery manufacturing
2. Efficient permitting for new mines
3. Partnerships with Indigenous People
4. Prioritizing nature conservation, and
5. Workforce supply

Photo: Pan American Silver

Photo: Getty Images

Batteries – Positioning Canada as a Global Leader

One set of MAC's recommendations focuses on battery manufacturing. The World Bank foresees a 500% increase in minerals crucial for clean technology, vital to limiting global temperature rise. The International Energy Agency projects EVs and battery storage to drive half of the mineral demand growth from clean energy technologies by 2040. The average electric vehicle battery contains about 185 kilograms of minerals, including lithium, cobalt, nickel, manganese, graphite, copper, iron, and aluminum – all produced in Canada and with extensive untapped reserves.

Canada's clean electricity grid, along with lower carbon-intensive finished products from domestic mineral production, positions our country favorably on the global stage. To secure Canada's role in a low-carbon future, expedited policies, adequately funded programs, and the implementation of Canada's Critical Mineral Strategy are vital.

Insufficient financing for mine production, particularly for smaller companies, can be addressed with venture capital (like EDC and BDC support) and tailored financial instruments.

Infrastructure investments, such as in energy grids and communications, are essential for a resilient mining supply chain. While Canada's appeal for battery manufacturing is evident through recent investments, building more mines and refineries is crucial.

Since 2020, automotive and battery manufacturers have invested over $31 billion to transition to electric vehicle production and establish a battery supply chain. Three electric vehicle factories have been announced: Stellantis-LGES, Powerco-Volkswagen, and Northvolt, with the possibility of more announcements on the horizon. These battery factories have chosen Canada as their preferred location due to the close proximity, access to critical minerals and a reliable clean energy grid.

According to Natural Resources Canada, to meet the demand from four battery factories:

- **15 new mines** are needed, creating **40,000 direct, indirect, and induced jobs** in the upstream and midstream. Many of these will be in remote locations, providing jobs and business opportunities for Indigenous peoples.
- **Without upstream mining, midstream processing is unlikely to progress**. If minerals are mined in Canada, it is likely they will stay in the domestic value chain through to battery production.
- To create the upstream and midstream value chain, a further investment of **$8.1 billion in new mines** and $16.1 billion in midstream processing is needed.
- Compared to the rate at which Canada opened mines in the past 15 years, we need to **move forward more than five times as fast** to meet the electric vehicle battery factory demand.

Photo: Teck Resources

Recommendation 1 – Mines to Mobility: Make Canada a Global Centre for Electric Vehicle (EV) Material Production

To enhance Canada's attractiveness in battery manufacturing, MAC calls for increased government involvement in supporting the critical minerals value chain. Prioritizing a secure and sustainable domestic supply of battery-grade materials, along with expanding essential raw material production, is crucial to position Canada as a prominent hub. Additional measures include to:

- Expedite the tabling and passage of legislation to create the Clean Technology Manufacturing Investment Tax Credit (CTM-ITC) and:
  - Expand the scope of the credit to encompass mine development-related expenditures, including mine development costs such as shaft-sinking, ventilation, and underground vertical and lateral development and infrastructure.
  - Adjust the eligibility threshold from 'all or almost all – 90%' of production value to recognize polymetallic deposits, particularly in copper projects found with other non-critical priority minerals.
- Improve coherence between climate and industrial policy by recognizing the importance of off-grid critical mineral mines for battery-grade materials and manufacturing.
- Direct Export Development Canada (EDC) and the Business Development Bank of Canada (BDC) to prioritize investments in upstream critical minerals projects. Enable the Strategic Innovation Fund (SIF) to invest in these projects.
- Accelerate funding for trade-enabling infrastructure, including energy infrastructure, to support Canada's EV supply chain goals. This includes strategic investments in Northern regions.
- Reclassify the costs incurred during the construction and production of Canadian mines primarily focused on critical minerals. Consider categorizing these expenditures as Canadian exploration expenses (CEE) rather than Canadian development expenses (CDE) for Canadian income tax purposes (reverting to the pre-2013 treatment).
- Extend the Mineral Exploration Tax Credit (METC), set to expire at the end of March 2024, for a minimum period of five years until 2029.
- When Canada supplies low carbon critical minerals, it benefits the world on climate. Expanding market access through Free Trade Agreements (FTAs) and Foreign Investment Promotion and Protection Agreements (FIPAs) is crucial for success. Invest in the Canadian Trade Commissioner Service (TSC) to support mining companies in new markets/countries.

Photo: Teck Resources

New Mines are Needed!

The urgency of addressing climate change, the need for materials to support technological evolution including the transition to electric vehicles, the electrification of the Canadian economy, the fragility of supply chains exposed by the pandemic and geopolitical conflicts have all highlighted the need for new mines and infrastructure projects. Yet Canada's numerous complex processes that a project must navigate before receiving approval to proceed result in these projects not being built in time to meet our shared climate change, clean energy and supply chain security goals, thereby letting our automotive sectors and allies down. In order to achieve these goals, we must reduce timelines associated with project permitting.

Recommendation 2 – Improve the Predictability and Timeliness for Permitting Future Mines and Material Manufacturing Facilities

MAC recommends the following:

- Improve coordination and alignment between provincial and federal approval processes and across federal departments to materially shorten project permitting timelines and reduce the consultation burden imposed on Indigenous communities.
- In response to the Supreme Court of Canada's opinion on the constitutionality of the Impact Assessment Act (IAA), amend the IAA to appropriately focus on effects in federal jurisdiction. This includes amendments to the decision functions of the Act -- including the designation decision, screening decision and public interest decision – for provincial activities as well as the definition of effects in federal jurisdiction. Amendments to the Act should be supported by clear guidance to proponents and potentially impacted communities to support the transition to an amended Act and mitigate investment uncertainty.
- Amend the Physical Activities Regulations (Project List) as part of the mandatory five-year review of the regulations by:
    - Materially increasing production-based thresholds for greenfield mining projects. In doing so, thresholds for new uranium mines should align with other metal mines.
    - Excluding underground, fully electric mines given their smaller footprint.
    - Excluding brownfield projects from the Project List entirely.
    - Materially increasing thresholds for expansions, or alternatively excluding expansions from the Project List.
- Amend Section 79 of the Species at Risk Act (SARA) to ensure compatibility with the Supreme Court of Canada's opinion on the Impact Assessment Act. Section 79 currently requires all federal assessments to assess, mitigate and monitor adverse effects on SARA-listed wildlife species and its critical habitat. This is not consistent with the Supreme Court's opinion and needs to be deleted or amended to apply only to projects carried out or financed by federal authorities on federal lands or outside Canada (Sections 81-91 of the Impact Assessment Act).
- The Impact Assessment Agency should continue its efforts to improve the tailoring of assessments to key issues in the federal jurisdiction that address gaps not captured by other processes as well as the scoping of Indigenous engagement and participation.
- Develop pragmatic compliance tools for routine projects under the Fisheries Act. While there has been some progress, with the release of new Codes of Practice for some routine activities, Fisheries and Oceans Canada must accelerate the development and publication of Codes of Practice and Prescribed Works and Waters Regulations for routine works, undertakings and activities with known low impacts and mitigation measures.
- Fisheries and Oceans Canada should plan for the necessary amendments to address legislative shortcomings in the Fisheries Act that prevents the use of viable fish habitat banks by third-parties. The absence of third-party banking remains a roadblock to habitat banking provisions serving a useful function in encouraging restoration of high priority fish habitat. Enabling Indigenous-owned habitat banks would be particularly beneficial.
- Transport Canada needs to develop clear and pragmatic guidance on identifying navigable waters and when a Governor in Council Order may be necessary, as well as a timely and coordinated process for obtaining an Order. The 2024 review of the Canadian Navigable Waters Act should address this by changing the requirement for cabinet involvement for unscheduled navigable waters, which adds many months to the decision-making process, to either a ministerial or departmental approval.

Partnerships with Indigenous People

Participation of, and partnerships with, Indigenous peoples is a top priority for the mining sector. MAC members are among the largest industrial employers of Indigenous peoples and are major customers of Indigenous-owned businesses. There are over 500 active mining relationship agreements with Indigenous communities to help advance economic reconciliation.

Across the country, partnerships between companies and communities are directly contributing to reconciliation and the implementation of the Truth and Reconciliation Commission's (TRC) Calls to Action and UNDRIP. Notable action has come via recent updates to Towards Sustainable Mining (TSM), a made-in-Canada globally recognized sustainability program that supports mining companies in managing key environmental and social responsibilities. It incorporates measurable criteria reflecting the TRC's call to the corporate sector and establishes what is considered good practice in TSM that includes aiming to achieve FPIC before proceeding with development where impacts to rights may occur.

Recommendation 3 – Strengthen Indigenous Participation in Mining

To strengthen Indigenous participation in mining, the government should:

- Ensure that that the Indigenous Loan Guarantee Program, announced in the 2023 Fall Economic Statement, is broad enough to capture the range of opportunities in the mining sector, including investments in ancillary infrastructure and Indigenous-owned businesses in the supply chain.
- As part of the National Benefits Sharing Framework, position Indigenous peoples to meaningfully participate in mining development and take advantage of the opportunities associated with it through:
  - Strengthening internal capacities to facilitate meaningful engagement and participation throughout all stages of the mining life cycle.
  - Business development initiatives that enable Indigenous entrepreneurs to effectively compete in the mining sector.
- Strengthen processes and tools to support Crown consultation, including:
  - Improving federal-provincial and inter-departmental coordination of consultation activities to avoid duplicative engagement.
  - Strengthening tools such as Aboriginal Treaty Rights Information System (ATRIS) and the Open Science and Data Platform to support meaningful and informed Indigenous consultation.

Photo: Cameco

Prioritizing Nature Conservation

Responsible mining development includes biodiversity conservation and MAC members have publicly committed to positively contributing to the conservation of biodiversity through all stages of the mining life cycle. This commitment is supported by a strong track record of prioritizing action to avoid and minimize impacts on nature, as illustrated by actions in our sector that align with nature positive commitments, investments in robust wildlife monitoring, habitat restoration and contributions to science.

Recommendation 4 – Incentivize Private Sector Contributions to Nature Conservation

The development of a renewed National Biodiversity Strategy in response to the Kunming-Montreal Global Biodiversity Framework provides an opportunity to further increase the mining industry's contribution to nature through policy that encourages and incentivizes private sector action, including through:

- Tax incentives that encourage private sector investment in biodiversity conservation through new and enhanced tax incentives, including mechanisms that consider benefits for biodiversity and climate change.
- The development of guidance and policy that clarify how habitat banking may be recognized in the context of a regulatory decision.

Photo: Rio Tinto

Our Most Critical Asset – People

While our nation has an abundance of the critical minerals required for the world's transition to a low-carbon, clean economy, long-term social and demographic challenges undermine the mining sector labour supply and its ability to respond to industry growth. Canada's mining industry is facing a people crisis, with the industry's tightening labour market being caused by numerous factors, including:

- An ageing workforce with rising retirements, while fewer young people enter the industry.
- Shrinking post-secondary mining programs (e.g., undergraduate mining engineering enrolment is down over 50% since 2015).
- A historically low mining unemployment rate (under 1% in July 2023) while total employment has grown over 40% since January 2022.
- Continued challenges to attract and retain underrepresented groups.

An independent, non-profit organization, the MiHR Council delivers the needed solutions by driving collaboration among sector stakeholders to identify opportunities and address the human resource and labour market challenges facing the Canadian minerals and metals sector. The MiHR Council is the sole mining workforce-focused organization in Canada and provides the industry with critical labour market information and analysis, key to industry intelligence, planning and recruiting. Canada needs MiHR to meet ambitious critical minerals aspirations that will require more mining and therefore, a larger pool of skilled workers

Recommendation 5 – Renewed and Stable Employment and Social Development Canada (ESDC) Funding of the Mining Industry Human Resources (MiHR) Council

Currently, MiHR is facing an ESDC funding gap/cliff this year (2024) that will have potentially detrimental impacts on the organization. As such, MAC recommends either the extension of existing MiHR-funding ESDC programs outlined here, or new funding source(s) that would meet these MiHR programmatic needs:

- Extend the delivery of the Sectoral Workforce Solutions Program (SWSP) from March 31, 2024, to at least March 31, 2025, for MiHR (and all existing SWSP recipients).
  - In 2022, MiHR was provided $14.5M in SWSP funding (plus a recent $1M for a one-time scholarship program) for MiHR's Sector Skills and Solutions Strategy for the Clean Economy (M4S).
  - ESDC/SWSP funding for M4S is currently slated to end March 31, 2024.
- Extend the delivery of the Sectoral Initiatives Program (SIP) to support MiHR's work on Labour Market Analysis (LMI).
  - ESDC has traditionally provided $1.5M annually on average in SIP funding to MiHR. The latest phase of the SIP programs ended March 31, 2021.
- A long-term funding commitment for the Student Work Placement Program (SWPP): $18M/over the past 7 through SWPP has helped MiHR provide wage support to over 200 mining and mining support services companies with over 2,000 co-op placements.
  - MAC welcomed the one-year extension announced in Budget 2023 and recommends a long-term commitment to SWPP funding beyond 2025.

MAC welcomes the opportunity for continued collaboration with government in the design, development, and implementation of Canada's Critical Minerals Strategy for the benefit of all Canadians.

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