



**Saskatchewan Mining Association (SMA)
2018 Pre-Budget Submission
Tuesday, October 3, 2018**

Chair, members of the committee, clerk and fellow witnesses:

My name is Pam Schwann and I am the President of the Saskatchewan Mining Association. The SMA is the voice of the Saskatchewan exploration and mining industry, representing over 40 members. SMA's Mission is to advance a safe, sustainable and globally competitive mining industry in Saskatchewan that benefits all residents of the province. Thank you for the opportunity to appear today.

A productive and competitive mining industry, which has underpinned Saskatchewan and Canada's economic successes over generations, can advance the Government's priority commitments of reconciliation with Indigenous peoples, growing the middle-class, and developing a lower carbon-intensive economy. All this while providing revenues to governments to support social and infrastructure development across Canada, with the very strong support of the public as consistently demonstrated by provincial and national surveys.

We believe mining can advance the Government's commitments through the development and implementation of the following 5 recommendations:

Federal 2018-19 Budget Measures to support investment in the mining sector include:

- 1. Improving the Regulatory Framework to enable Sustainable Resource Development particularly with respect to ongoing Environmental Assessment Reviews and Species at Risk Legislation.**
- 2. Investing in Socio-Economic capacity of Indigenous communities**
- 3. Incentivizing Investment through Taxation Tools**
- 4. Enhancing Saskatchewan and Canada's Trade and Investment Competitiveness.**
- 5. Promoting the role of Canadian Clean Energy in a Low-Carbon Economy**

Industry Contributions:

Saskatchewan is a Canadian and global mining leader that provides clean energy and food security to the world. Saskatchewan is uniquely situated in the Canadian mineral scene as we are Canada's only producer of both potash and uranium, and we are global leaders in the production of both commodities. Mines operating in Saskatchewan provide over 30% of the world's annual potash consumption, with the world's two highest grade and largest uranium mines providing over 22% of the global annual uranium production. Our members also produce coal, which provides SK baseload power, gold, zinc and copper, salt, clays and potentially diamonds in the future.

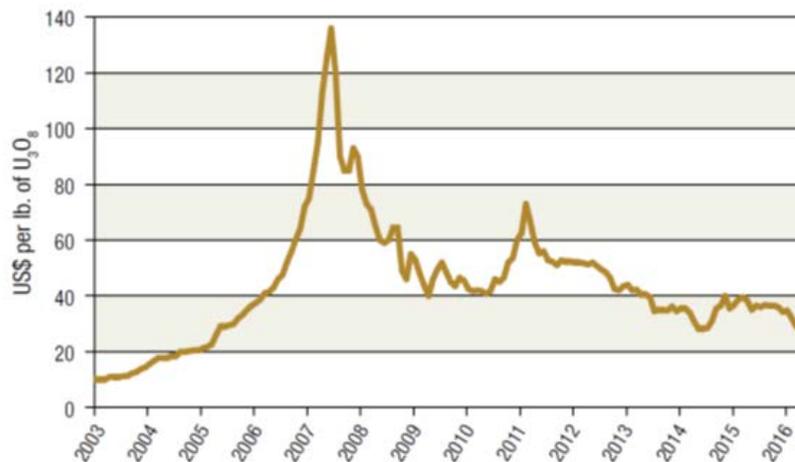
Saskatchewan's mining industry, including its supply chain sector contributes approximately 10% to Saskatchewan's GDP annually, and directly and indirectly employs over 30,500 people.

Proportionally, mining is the largest private sector employer of Indigenous Peoples in Saskatchewan, and has been such for over two decades. In northern Saskatchewan, mining operations provide much needed, high quality and high paying jobs with Indigenous peoples comprising approximately 48% of the workforce (~1400 people with a direct mine payroll of \$102M annually). Additionally, indigenous owned suppliers to the northern mines provided over \$316 M in goods and services to the northern mines in 2016. Since 1991, northern mine operations have paid \$7.1 B to northern employees and northern goods and services suppliers.

A. Economic Trends & Outlook: The Commodity Price – Operating Cost Challenge

World economic growth is anticipated to increase from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018. Despite growth projections indicating greater energy and food security needs for the global population, prices for potash and uranium continue to be under pressure, with potash prices hovering around US\$220 ton for the past year from a high of \$US880 ton in 2008, and uranium prices continuing to remain at sub \$US25/lb for the past 2 years, from highs of US\$138/lb in 2007. Looking forward, the fundamentals for potash and uranium are positive, as their demand is expected to increase as the middle classes of the world's most populous countries continue to emerge and as the world transitions to a lower carbon future. The challenge is to ensure the viability of these operations during these prolonged periods of low commodity prices. Companies have responded and reduced operating costs they can control. This has meant very difficult decisions in suspending operations, or not proceeding with planned capital expansions, with the resulting loss of jobs and reduced purchases of goods and services. There is no more "fat to cut". Every cost increase counts - whether they be in the guise of increased carbon levies, increased regulatory timelines or power costs. These all result in an increase in operating costs that are outside the control of a mine operation and which cannot be passed on to the customer. The result of these cost increases will mean more very difficult decisions about peoples and communities' livelihoods, lay ahead.

Spot prices*



Potash Price
218.00 USD/t
30 Jun '17



BUDGET MEASURE 1:

- **Improve the Regulatory Framework to enable Sustainable Mineral Resource Development**

Ongoing Federal Environmental Reviews

The federal government is in the process of reviewing federal legislation with critical implications for the future of Canada's minerals industry, most significantly, the review of the *Canadian Environmental Assessment Act* (CEAA 2012). Given the importance of the regulatory regime to mining industry competitiveness and Canada's ability to compete for new mineral investment, it is critical that the reviews of CEAA 2012, the *Fisheries Act*, and the *Navigation Protection Act* result in an effective, timely and coordinated regulatory process, from pre-environmental assessment (EA) to post-EA permitting, with meaningful consultation. Furthermore the increasing involvement of federal regulators in mineral resource development is contributing to lack of certainty for operators and investors.

Species at Risk Act (SARA)

Mineral exploration and mining proponents are facing barriers related to the SARA during the EA process. Specifically, the narrow application of CEAA 2012 leads to mineral projects being held to account for cumulative effects on species and habitat caused by natural disturbances over 40 year time horizons (fire) or by non-mining activities that are not subject to CEAA 2012 (BC forestry operations).

SARA also requires projects undergoing federal assessment to comply with all relevant species recovery strategies; however, without long-term compliance and permitting mechanisms, it is unclear how a proponent can demonstrate compliance. The result is uncertainty and project delays (some indefinite) during environmental review that drives away investment. Additionally some listed species have conflicting recovery strategies, resulting in potentially unmanageable circumstances. We have already seen this example of conflicting recovery strategies with the woodland caribou and olive-sided flycatcher.

RECOMMENDATION: To further strengthen public and investor confidence in the regulatory framework government establish a process that is efficient, effective, timely, and predictable by:

- *Ensuring regulatory agencies and relevant departments have the requisite capacity to adequately perform and carry out their responsibilities;*
- *Ensuring that Canada's investment climate is not undermined by unnecessary inter-jurisdictional conflict and impractical assessment processes;*
- *Enhancing Indigenous participation and role in federal assessments in a manner consistent with Canada's constitutional and legal framework; and*
- *Expediently developing and implementing approaches to species protection and recovery that are consistent and complementary across federal, provincial and territorial governments and which provide for a landscape approach rather than a species by species approach*

BUDGET MEASURE 2:

Invest in Socio-Economic Capacity of Indigenous communities

Mining is one of the few sectors that delivers jobs, economic growth and fosters building capacity within Indigenous communities. This is particularly true in Saskatchewan where:

- Mining has a decades-long constructive relationship with Indigenous communities built on pillars of workforce development, business development, community engagement, environmental stewardship and community investment
- Mining provides wealth creation, economic development opportunities and improved educational outcomes in communities that have systemically high poverty rates.
- In 2016, 48% (1364) of all N. SK mine workers (2866) are of First Nation or Metis Heritage; this represents an annual payroll of approx. \$102M – it also represents that, in a broad geographic, but sparsely populated region (37,000), approx. 1 in every 5 jobs in northern SK is directly related to mining.
- \$316 M (43%) in goods and services were purchased from Indigenous owned, northern companies or joint ventures in 2016.

- Mining operations in southern SK have focussed efforts in engaging Indigenous people as employees, suppliers & building educational & economic capacity in communities through initiatives such as PotashCorp’s Aboriginal Procurement Policy.
- Additionally, Indigenous communities are actively engaged in environmental stewardship related to the entire mine lifecycle. In northern SK, communities participate in environmental stewardship through monitoring vehicles such as : IBA/CBA; Surface Lease Agreements; Northern Environmental Quality Committee, Eastern Athabasca Regional Monitoring Program.

Enabling additional mining development in northern Saskatchewan communities (ie North of 56^o) through infrastructure development (eg. the Trade and Transportation Corridor Initiative and the Investing in Canada Plan) would be welcome. Leveraging funds from the Canada Infrastructure Bank (CIB) to facilitate this development would be a welcome first step.

RECOMMENDATION: As mining operations in Saskatchewan provide real opportunities for careers and economic development opportunities for Indigenous communities, it is recommended that Budget 2017-18 invest in:

- *Enhanced foundational social investments (health, housing, water, education) that contribute to better outcomes for Indigenous Peoples;*
- *Increase funds for skills training and entrepreneurship to assist Indigenous Peoples in securing opportunities generated by the industry;*
- *Allocating dedicated funds from the Canada Infrastructure Bank to facilitate northern (N of 56^o) infrastructure development.*

BUDGET MEASURE 3:

- **Incentivize Investment through Taxation Tools - Retain and Enhance the Mineral Exploration Tax Credit and Invest in Clean Technology**

Sustaining junior exploration in Canada is a critical component of any strategy to maintain and grow mineral production in this country. 70% of all discoveries in Canada over the last decade have been made by juniors, highlighting the importance of the junior sector to the Canadian mining industry. Data from Natural Resources Canada, however, suggests that spending by juniors in Canada in 2016 would likely drop below \$500M - a 91% drop from 2007 levels or \$4.2B. In Saskatchewan, flow through financing has directly led to the development of mines and discoveries that have resulted in additional investment all the while creating employment and business opportunities in a robustly regulated environment.

Adapting existing facilities to be more energy efficient will be capital intensive. To incentivize the adoption of clean technology, tax tools to assist with project economics, such as investment tax credits, or accelerated depreciation of “clean” investments would accelerate the adoption of clean technology by the mining sector.

RECOMMENDATION:

To catalyze grassroots mineral exploration in Canada, that Budget 2017-18 retain the Mineral Exploration Tax Credit for a period of 3 years and consider increasing it from 15% to 30%. Additionally, taxation tools within Budget 2017-18 could be used to incentivize the further adoption of clean technology by the mining sector.

BUDGET MEASURE 4:

• Enhance Saskatchewan and Canada's Trade and Investment Competitiveness

Mineral commodity prices are established by the global market place, and as such producers are price-takers. Cost increases to operations, whether they be in the guise of increased power costs, carbon levies, increased regulatory timelines all result in an increase in operating costs that are outside the control of a mine operation. To ensure that Canadian mine operations, which have some of the highest environmental and safety standards in the world, can compete with other jurisdictions that have lower tax and regulatory frameworks, Canada must position itself to ensure that it continues to offer a competitive investment environment to attract global mining investment.

In land-locked Saskatchewan, getting bulk mineral products to global markets relies on an efficient and reliable rail system. Saskatchewan potash producers are leading customers of the rail service and ensuring rail capacity as well as timely service has been an issue in recent years as a result of bumper crop production and increased utilization of rail to transport petroleum products.

The recently tabled the *Transportation Modernization Act*, that includes enhanced rail data disclosure and associated Budget 2017 investment, is viewed as a positive step, although it did not address strengthening the common carrier obligation, (including transportation of Class 7 materials), to close the existing loophole that permits railways to impose unreasonable terms and conditions on shippers for the movement of their goods. Ensuring C-49 enables robust, timely and public access to information is essential to developing an evidence- based transportation policy.

Trade agreements, particularly those with emerging economies where government to government relationships facilitate commercial agreements offer an opportunity to develop new and expand existing markets for Saskatchewan mineral resource products. In 2016, Saskatchewan shipped nearly half of its total exports to the U.S (about \$12.5 billion). Two mineral products (potash and uranium) were in the top 5 commodities/resources exported to the US. The uncertainty associated with the advent of NAFTA 2.0 has underscored, the need to diversify market access for key exports including mineral products.

RECOMMENDATION:

- *Budget 2017-2018 recognize that Energy-Intensive Trade Exposed Sectors like mining require favorable tax treatments to ensure they are on a relatively level playing field with competing jurisdictions.*
- *Budget 2017-18 take steps to ensure rail companies are required to transparently address rail service and rail capacity issues so that Saskatchewan's mineral resources and Class 7 materials can be reliably and affordably transported to market, thus ensuring Saskatchewan's reputation as a reliable trading partner.*
- *Budget 2017-18 continue to support diversification of Canada's trading partners through the development of trade agreements.*

BUDGET MEASURE 5

- **Promotion of the role of Canadian clean energy (uranium-sourced nuclear power and Carbon Capture and Sequestration (CCS)) in a low-carbon economy along with financial incentives to invest in clean technology**

The Saskatchewan Mining industry can be a primary contributor to the government's priority of addressing climate change by generating clean energy by promoting the use of nuclear power sourced by uranium mined from Saskatchewan, and the use of Carbon Capture and Sequestration (CCS).

Nuclear power generation provides 11% on the world's electricity. With the highest grade uranium mines in world, Saskatchewan has a natural advantage in contributing to nuclear power generation. The McArthur River and Cigar Lake Mines provide 22% of the world's uranium to fuel clean energy and reduce global GHG emissions. Value-added processing of Saskatchewan uranium occurs in Port Hope and Blind River Ontario, where it offers high quality jobs and economic activity. Saskatchewan uranium is also helping Ontario meet its clean energy plan as 1 in 2 homes in Ontario is fueled by nuclear energy,

Carbon Capture and Sequestration (CCS). Coal provides 40% of the world's electricity and will continue to be a primary source of the world's electricity for decades.

Coal continues to be a primary source of emerging world economies. CCS Technology that reduces GHG emissions from coal power plants is warranted. In Saskatchewan, 1 M tonnes CO₂ were captured from Boundary Dam CCS this past year – the equivalent of taking 240,000 cars off Saskatchewan roads – a province of just over 1 M people.

RECOMMENDATION: To facilitate the transition to a low-carbon economy and throughout the world, Federal Budget 2017-18 promote and invest in the use of nuclear power and Carbon Capture and Sequestration technology that can be utilized in Canada and exported globally to help mitigate global climate change.

CONCLUSION

The mining industry is a pillar of Saskatchewan and Canada's current economy and has the potential to continue to contribute to the quality of lives of Canadian and Saskatchewan communities for generations. The 2017-18 Federal Budget provides the opportunity to signal that investment in sustainable mining is welcome by:

- 1. Improving the Regulatory Framework to enable Sustainable Mineral Resource Development**
- 2. Investing in Socio-Economic Capacity of Indigenous communities**
- 3. Incentivizing Investment through Taxation Tools - Retain and Enhance the Mineral Exploration Tax Credit and Invest in Clean Technology**
- 4. Enhancing Saskatchewan and Canada's Trade and Investment Competitiveness**
- 5. Promoting the role of Canadian clean energy (uranium-sourced nuclear power and Carbon Capture and Sequestration (CCS)) in a low-carbon economy along with financial incentives to invest in clean technology**

Thank you for the opportunity to provide the perspective of the Saskatchewan Mining Industry as the Committee works to assist in the development of the 2017-18 budget.