Ontarians for a Just Accountable Mineral Strategy (OJAMS)

Submission to the Ontario Ministry of Northern Development and mines


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Picture of a portion of the footprint from the Sudbury mining camp from Google Earth

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Thank you for the opportunity to comment on the proposed 2015 Ontario Mineral Development Strategy. We would be happy to discuss any of the matters raised in this paper with the Ministry.

Ontarians for a Just Accountable Mining Strategy (OJAMS) is made of people from diverse communities and interests in Ontario that want to see a mineral strategy that:

- Sustains the environment and the resources for future generations,
- Protects the public from the risks associated with mining, smelting and refining,
- Heals the damage already caused by the industry
- Captures a fair share of the revenues generated by the industry for Ontarians and First Nations, and
- Respects the rights of First Nations to free, prior, informed consent to development on their lands

Ontarians for a Just Accountable Mineral Strategy has sprung from our outrage that, despite more than ten years of broadly-based advocacy, despite reports from the Auditor-General and the Environmental Commissioner of Ontario supporting the need for change, the new proposals for a Mineral Development Strategy for Ontario are worse than they were in 2006. We hope the following submission will be helpful to the Ministry in shaping the final document.

Our submission is organized as follows:

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**Reframing the discussion about mineral strategy in Ontario**

During the past decade, there has been a major organized outcry from the general public, communities and First Nations in Ontario about the over-whelming power of the mining industry in Ontario to trump treaty obligations to First Nations, to over-ride the protection of water and land, non-extractive forms of economic development and the needs of communities to determine their own future. Inadequate closure plans and reclamation bonding, tax regimes that unfairly advantaged the mining industry and lack of any kind of real economic return from the mining industry to First Nations and municipalities have also been big issues.
We all want stable economies that heal the environment and do not pollute the waters, land and air. We want long-term work for their children and their grandchildren. We want livelihoods that sustain the planet and communities. Mining cannot be the answer. It is a short-term, waste management industry with long-term consequences. It is not sustainable; it depletes the very resources it depends on.

The commodity price, the exchange rate and interest rates are key variables for the minerals industry and are largely out of their control. So are markets for minerals and exploration, development and operating costs.

Despite the risky nature of this industry, Ontario has enabled an economy in which many people in Ontario depend on mining and its associated business generation for a living. If mining collapses, so do our jobs and hopes. Government’s single-minded focus on this boom and bust industry, which exists by depleting the very resources and environment on which it depends, gambles with all our lives.

The 2015 Ontario government proposals¹ and the Progress Report ignore the perpetual volatility of the mining industry, and ignore solutions consistently proposed by the public and First Nations that would protect Ontarians from the environmental, social and cultural consequences of relying on an unsustainable industry.

The government "discussion paper" is all about expanding mineral investment in Ontario, increasing government investment in R&D, ensuring that regulations are "efficient and cost-effective", and increasing northern infrastructure (especially transportation and lower hydro rates). The "Progress Report"² brags about tax cuts of almost $20 billion to benefit business in Ontario (which has resulted in “austerity” for the rest of us).

“Consultation” with Aboriginal governments and their political organizations has to include recognition of the need for their Prior Informed Consent before claim staking can take place, and needs to be re-established at each stage of mining exploration and development.³ First Nations mining policies must be respected. The ability of Aboriginal governments to undertake technical reviews occasioned by industry demands for access should be fully funded by the industry group making that request.

“The protection of ecological and economic sustainability (in settler and Aboriginal areas of the province) needs to trump the right to mine. The Ministry says it does not have discretion to withhold permits or to refuse to grant claims even when First Nations do not want the claim to be staked or the permit issued, or even to those who cannot be trusted to mine responsibly (those who have abandoned mines, been the perpetrator of a serious environmental or labour code infringement, or been delisted for cause from a stock exchange). A 2012 Yukon case⁴ makes it clear that governments can change the

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mine claims regime. We want government to reassert its responsibility to all of us, block claim staking that is not in the public interest, and get First Nation consent before claims are staked or renewed.\textsuperscript{5}

We need a “value for money” audit of the industry\textsuperscript{6}, that ensures it is paying its way and not trapping Ontarians into dependency on an unstable, uncertain industry that does not even pay its way.

It is time to reframe the discussion and base the Ontario Mineral Development Strategy on what the public and First Nations have been demanding for the past decade.

The Ontario mineral industry context for the past ten years

The past ten years of mining in Ontario has seen a repeat of the boom-bust cycle common to mining and mineral production. 2005 saw Ontario at the beginning of an unprecedented boom in exploration and new mine development that had started in 2003. Spurred by tremendous industrial growth in the “BRIC” countries: Brazil, China, India and Russia and by war in the Middle East, the markets for metals appeared to be in a “super-cycle”. The boom was enhanced by the reckless use of derivatives and other investment incentives to get a share of the exploration plays.

By 2008, copper, nickel, uranium and gold prices were at an all time high and investors widely expected the “super-cycle” to continue indefinitely. Costs of mining had increased to match commodity prices; skilled labour and supplies for mills and mines were in scarce supply.

As the US economy has staggered, so too the Canadian dollar has gone from 1.22 to the US dollar in 2005, back to that rate in 2015, but in between the rate was reversed reaching a record low of 0.92 in November of 2007 and, after August 2011, rising steadily to 2005 levels.

Our mining and minerals production is at the mercy of commodity prices, financial markets and the exchange rate; the province and the industry are constantly gambling to keep the industry afloat in bad times and to enrich and stimulate it further in the good times. For example, the risk statements in company filings like Goldcorp’s state:

\textit{Gold, silver, copper, lead and zinc prices fluctuate widely and are affected by numerous factors beyond Goldcorp’s control, such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major metals-producing and metals-consuming countries throughout the world. The prices of gold, silver, copper, lead and zinc have fluctuated widely in}

\textsuperscript{5} MiningWatch Canada, Open letter to the Auditor-General. Available from http://www.miningwatch.ca/article/ontario-urgently-needs-comprehensive-value-money-cost-benefit-analysis-mining
\textsuperscript{6} ibid
recent years, and future price declines could cause continued development of and commercial production from Goldcorp’s properties to be uneconomic. Depending on the price of gold, silver, copper, lead and zinc, cash flow from mining operations may not be sufficient and Goldcorp could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future production from Goldcorp’s mining properties is dependent on gold, silver, copper, lead and zinc prices that are adequate to make these properties economically viable.”  

The 2005 - 2015 period has also seen a dizzying change in ownership of our key mining companies. INCO became a private subsidiary of CVRD (Vale), a Brazilian company. Falconbridge became a private subsidiary of Xstrata – a Swiss company and then was sold to Xstrata’s major shareholder, Glencore. The budding diamond industry is owned by DeBeers Canada, a private subsidiary of the DeBeers Group of Companies (also private). Goldcorp (with a long history at Red Lake in northern Ontario) bought the Placer Dome properties in Ontario from Barrick Gold, and then merged with Glamis Gold in 2006 to take over their properties overseas. Goldcorp’s operations in Ontario include Red Lake Mines, the Porcupine Mine and the Musselwhite Mine. Barrick retained its interest in the Hemlo Camp.

Since 2006, 19 mines have closed in Ontario and 24 new mines have opened. We now have 43 mines in Ontario. This has resulted in an expansion of the mine and waste footprint in the old mining camps, even as some waste was reprocessed to extract the remaining minerals. New provincial “Good Samaritan” law that exempted exploration companies and mines from liability for old damage encouraged this activity.

As commodity prices went up, new mines were opened at old mine sites, both underground and open pit. There is now a new open pit being built in the heart of Timmins, where the Hollinger underground mine used to be. The Nickel Rim South Mine and the Totten Mine are new mines at old mine sites. All these mines have waste products: tailings, waste rock and sludge, that will have to be stored and monitored in perpetuity.

The past ten years also saw exponential growth and then decline for junior mining companies in Ontario, and in the investment dealers, brokers and lawyers that work with them. By 2015, the entire junior mining sector is on life support. Writes the Financial Post:

“In 2007 alone, Toronto-listed miners completed 577 deals that raised close to $15-billion, according to Financial Post data. A whopping 416 of those financings were for exploration companies on the TSX Venture exchange. By comparison, there were 61 financings by miners on the junior exchange in 2013 “Very few of these companies can raise capital. Since the start of 2013, miners on the TSX Venture have raised $660-million, Financial Post data shows. In the peak year of 2007, they raised $4.3-billion. Not surprisingly, the boutique investment banks that made so much money servicing these firms in the boom years are now chopping staff or closing down entirely.”

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7 Goldcorp Annual Information Return 2015, page 96
In Ontario in 2014, 27,000 people were employed directly and another 50,000 indirectly in the fabrication and processing of minerals (including pits and quarries); the mining equipment and services sector employs more than 25,000. The industry claims that 256,000 people are employed in Ontario's mineral cluster (operating mines, corporate offices, mining supplies & services, legal, financial, engineering, environmental consulting), although these figures are speculative, they are still disturbing.

Ontario has enabled an economy in which too many people in Ontario depend on mining and its associated business generation for a living. If mining collapses, so do our jobs, our tax base and our hopes. Alberta is currently facing of the consequences of a single-minded focus on a boom and bust extractive industry. Ontario is doing the same thing with minerals. This dependence, which exists by depleting the very resources and environment on which it depends, gambles with all our lives.

**Increased Subsidies for the Mineral Industry: Regulatory Capture**

While the boom was happening, mining companies and the investment and banking sector that depends on them, used their power to continue to wring every subsidy and advantage it could from the Ontario and federal governments.

The Ten Year Progress Report from OMNDM touts almost $20 billion in tax cuts to benefit industry on an annual basis as well as stating that the industry was worth $11 billion in the same year.

The actual investment that Ontarians make in the mining industry cannot be determined without a full cost accounting “Value for Money” audit by the Auditor-General, such as MiningWatch Canada has requested. We do however know that, over the past ten years, the mining industry won the measures listed below from the Ontario government. The list is not exhaustive.

- The “marginal effective tax and royalty rates” METRR - what the industry actually pays - as opposed to what the law appears to require - shrunk by half from 2001 to 2013, to less than 2%. This pitiful rate is less than any other sector in this province and the second lowest mining tax rate in Canada.

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10 ibid
• A diamond royalty was brought in to get tax dollars from Ontario’s only diamond mine, but it was designed so that DeBeers paid nothing in taxes (at least until 2012, we do not have figures after that). This was possible because of remote mine tax holidays and accounting practices that enable companies to minimize their taxable earnings.13

• Withdrawals of land and changes to the Mining Act managed to quiet angry surface rights owners in southern Ontario who wanted an end to Free Entry, while leaving the Minister with discretion to reverse the mineral withdrawals in the future. Northern surface rights holders do not have even this protection.

• Settled key disputes between First Nations and exploration companies by withdrawing land from staking and then paying compensation to the companies (Platinex- $5 million)14, God’s Lake Resources ($3.5 million15).

• Ignored the demands of First Nations for Free Prior Informed Consent before exploration could take place and instead effected a new requirement in the revised Mining Act for exploration permits that would have to carry out “consultation” with First Nations. This does nothing to enshrine the right to say “no”, and has pleased no one. The province has been arguing that they have no discretion to refuse a mining claim or lease. A recent Yukon case16 challenges this assertion. First Nations assert the right to say “no” before the claim is staked.

• Enacted a Class Environmental Assessment (EA) for mining that continues to exempt the granting or sale of mine claims and leases, even though the Environmental Assessment Act in Ontario requires that projects that require a provincial permit to proceed should have an EA. Ontario remains the only province with no EA for large mines. This has been sharply criticized by the Environmental Commissioner and other players. Voluntary agreements by companies to undergo a provincial EA while the federal one is carried out can be seen for what it is: a smoke screen for the lack of EA and way to facilitate provincial permitting17

• There remain over 5000 abandoned mines that have not been remediated in Ontario, many of them hazardous to the public, some seriously so. Many have water covers like the Mount Polley Mine in BC. OMNDM does now have an interactive online map of abandoned mines18 in the

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13 http://www.ontario.ca/laws/regulation/070323
province, in order to help mining companies identify potential places for re-mining or re-processing.

- Despite a huge growth in the risk to taxpayers from operating and closed mines that are still operated by private owners, closure plans are still certified by the company and “filed” by the province. Information on financial assurance still allows companies with a B credit rating or higher to self-assure\(^\text{19}\). The amount of the financial assurance and the kind are not publicly disclosed. Almost all our operating mines are owned by subsidiaries of much larger transnational companies, and their reclamation bonds are only a line on their balance sheet, estimated by them, not reviewed by governments, and not guaranteed by the parent company. The amount of financial assurance is not readily available to the public and it remains to be seen if it can be accessed by Freedom of Information requests. We know that in 2006 Inco and Falconbridge thought that their properties in Sudbury and Timmins combined could be remediated for $584 Million. Their footprint has substantially enlarged since then, and costs have more than doubled (even if one assumes their estimates are correct). Taxpayers in Ontario are unsecured creditors for these cleanups.\(^\text{20}\)

- Attempts by mining affected people who are concerned about the toxic legacy of smelters and mines in Ontario have found that they get nowhere in trying to get restitution. The residents of Sudbury, Cobalt and Port Colborne have been unable to win when they take on the companies over contamination of their soils and waters, despite clear evidence that the lands and waters had been poisoned by years of industrial pollution. Faced with $15 million risk assessments controlled by the companies and by expensive litigation, citizens give up.

- A new Northern Industrial Electricity Rate Program for industrial users saves Vale $20 million annually and SINO $13 million\(^\text{21}\). The company owner, Vale and Glencore are two of the richest companies on the planet.

- The mining industry has quietly managed to delay the Implementation of Phase 2 of the Permit to Take Water regulation under the OWRA. The Permit to Take Water Regulation was passed in 2007, and required large industrial users to pay $3.71 for every million litres of water they consumed. The regulation was to be introduced in two phases with mining in Phase 2. Phase 2 has never been implemented, and mining companies still get free water.\(^\text{22}\)

- Huge investments in employment, training, trade missions, research and development by the government to benefit the mining industry at a time when the industry was booming and could

\(^{19}\) Sections 15–17 of Part VII of the Mining Act.

\(^{20}\) Auditor-General for Ontario 2005, Chapter 3.


well have paid for its own. Often these investments have been at the expense of other more sustainable programs.

- Consistent stone-walling by OMNDM and MNR of requests from the Environmental Commissioner of Onatrio to address petitions about environmental matters affecting mines. Ignoring recommendations for changes to mining-related policies from the ECO.  

- Despite having more mining companies trading on the TSX than at any other stock exchange in the world, the provincial securities regulator has identified serious problems with enforcing securities regulations against mining companies, but none of them have been penalized. A survey by the Ontario Securities Commission staff found only 20% of National Instrument 43-101 reports filed by mining and exploration companies with the OSC are actually in compliance, while 40% are unacceptable.  

- The Ring of Fire bubble has extracted a promise of $1 billion in infrastructure funding from the province. It has also consumed enormous amounts of staff time and investment in creating the Ring of Fire Development corporation and in trying to obtain the consent of First Nations to proceed with the development – all without a single pre-feasibility study or feasibility study that assesses the real value of the chromite resource or the costs of building a ferrochrome smelter. It has played on the dreams and hopes of impoverished and desperate First Nations for relief, and created enormous lost opportunities for other kinds of sustainable development. Cliffs sold its chromite assets to Noront in April for $27.5 million.

“Modernizing” the Mining Act

During the past ten years there was also an ongoing struggle in Ontario by First Nations and the public against the Free Entry approach to staking claims.

The Chief and five Councillors from Kitchenuhmaykoosib Inninuwug (KI) in northern Ontario and Robert Lovelace from the Ardoch Algonquin went to jail in 2008 for opposing mineral exploration on their traditional territories. Twenty municipalities passed resolutions demanding changes to the Mining Act. A coalition of First Nations, community groups, environmental and social justice organizations came up with a suggested draft of key changes to bring the mining regime in Ontario into the 21st century in September 2008. Both the judge who reviewed the sentencing of the KI Six and Ardoch Robert Lovelace and the Environmental Commissioner of Ontario called for changes to the “outdated Mining Act”.

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23 For example, petitions regarding Unimin dust and noise, lack of EA, in Ontario, concerns about the Ring of Fire.
The mining industry had changes of its own in mind and lobbied vociferously for them.

As a result, the provincial government undertook public consultations about “Modernizing the Mining Act” in 2008, made some very limited changes to the Ontario Mining Act in 2009 (including stating the responsibility to consult Aboriginal governments, requiring some permits for exploration and instituting a new diamond royalty regime). In addition, it passed the Far North Act, and brought in a class EA for some limited provincially undertaken mining practices.

Although there was moderate progress, none of the amendments came anywhere near addressing the real concerns expressed by the public and First Nations.

Our specific proposals for a revised mineral strategy for Ontario.

1) Recognize the right of First Nations to prior informed consent before claim staking or any other development takes place on their lands

2) Withdraw lands from staking and cancel existing claims where required:
   a) Work with First Nations permanently to withdraw lands that they deem culturally and ecologically significant from staking
   b) Make the withdrawal of mineral rights under the lands of surface rights holders in southern Ontario permanent and extend the same protection to property owners in northern Ontario.\(^{27}\)
   c) Recognize the “public interest” in refusing claims, exploration and development on Crown lands where there is substantial opposition from municipalities
   d) Protect ecologically significant lands from mining

3) End the primacy of mining over everything else by making changes to the Environmental Assessment Act and the provincial planning policy statement (under the Municipal Act).
   a) Government needs to institute regional strategic environmental assessment prior to any new projects being considered\(^{28}\) as well as
   b) There must be provincial project specific EA at each stage of the mining cycle, with full public participation. Ontario is the only Ontario jurisdiction with no EA for large mines.
   c) First Nations should lead the EA process within their territories and should be able to withdraw ecologically and culturally significant lands from staking.

4) Protect Ontarians against catastrophic mine failures, closure and abandonment.
   a) Implement the recommendations of the Mount Polley independent expert panel\(^{29}\) regarding tailings impoundments.

\(^{27}\) See Mining Act, Part II.
\(^{29}\) Dr. Norbert R. Morgenstern (Chair), CM, AOE, FRSC, FCAE, Ph.D., P.Eng.; Mr. Steven G. Vick, M.Sc., P.E.; and, Dr. Dirk Van Zyl, Ph.D., P.E., P.Eng. Report on Mount Polley Tailings Storage Facility Breach, Independent Expert
b) Step up the rehabilitation and monitoring of closed and abandoned mines, especially of those with water covers on their tailings impoundments.\textsuperscript{30}

c) Enact a moratorium on uranium mining and exploration in Ontario until the legacy of closed and abandoned uranium mines in the province has been permanently neutralized.

d) Ensure full reclamation and accident bonding upfront for all mines, smelters and refineries in Ontario

e) End financial assurance exemptions for companies with A and B credit ratings.

f) Ensure full cost accounting for perpetual care and long term stewardship before mines are operating

g) Disclose information publicly about closure planning, long-term care plans and reclamation bonds held by the government (or not) through online accessible registries.

h) Return to certification of closure plans by the Ministry of the Environment (and First Nations governments)

i) Institute a fund for the cost of reclaiming all abandoned and orphaned mines in Ontario paid for through a levy on the gross production of operating mines and smelters.\textsuperscript{31}

j) Development of long-term funded community - diversification plans in mining-affected communities

k) Increase regulatory oversight of operating mines in Ontario, including provisions for paid community-based monitoring of operating and closed mines\textsuperscript{31}.

5) Securities law.

a) Require mining companies to fully disclose liability for potential catastrophic tailings dam failures and perpetual care of mine sites in their financial statements and their filings with the Securities Commission

b) Increase the penalties for mining companies that fail to comply with securities regulations and policies \textsuperscript{33}

6) Ensure that mining pays its way

a) Revision of the tax regime for mining. Change the Mining Tax to a Net Smelter Return royalty; end the remote areas tax holiday; bring the Marginal Effective Tax and Royalty Rate (METRR) into line with other sectors\textsuperscript{34}.

Engineering Investigation and Review Panel, Province of British Columbia, January 30, 2015. BC has indicated they will accept all the report recommendations.


b) Conduct a “Value for Money” audit of provincial investment in mining based on the full costs and benefits to the public of supporting mining in Ontario including reduced hydro rates, infrastructure and training spending, geoscience and research investment, and actual dollars collected from the mining tax, the diamond royalty, sales tax and corporate income tax.

c) Stop subsidizing an industry where neither the resources nor the profits stay in Ontario:
   a. End the electricity rate subsidy for mining companies
   b. Enact Phase 2 of regulation 450/07, the Permit to Take Water so that mining companies pay for the water they take.
   c. Increase the resources for environmentally sustainable economic and social development programs in First Nations and mining affected communities.

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34 Mintz, Jack and Duanjie Chen. Marginal Effective Tax and Royalty Rates (METRRS) for the Mining Industry after 2013 budget change are fully implemented. May 2103. The School of Public Policy. University of Calgary. It shows the METRR for Ontario at 2%. The only province with a lower rate is BC at minus 8.7%. The rate for the non-resource sector is 18.2%