

Funding Models: A Government Perspective

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Funding Models: A Government Perspective

- General Observations
- Experiences with specific models
- Tool kit approach

General Observations

- Case studies highlighted the unique circumstances or pre-conditions that led to specific funding approaches;
- Liability issues are a key determinant in funding arrangements;
- Administrative process can be burdensome and reduce program effectiveness;
- Predicting or estimating remediation costs is a risky business and inaccuracy often negatively impacts program delivery and credibility;
- Accrual based accounting can provide funding opportunities in support of debt reduction mandate;
- However, inability to adequately assess or account for inherent risk may actually serve to increase debt

Some Examples

- Direct government funding by appropriation;
- Partnerships
- Production Levy
- Dedicated Revenue Stream

Direct Government Funding

Application: all sites where the Crown has accepted liability;
Instrument: direct application to TB or through budget process;
Administration: rigid
Legislative requirements: none
Challenges:

- accurately assessing liability;
- budgets are annualized, subject to TB and cabinet approval, restricting effective timeframe for deployment;
- no or limited carry-over provisions;
- funding susceptible to change in government priorities;

Opportunities:

- Accrual based accounting
- Funding meets a debt reduction priority
- May reduce the risk of competing priorities

Partnerships I Private/Public or Public/Public

Application: Site specific where there is a shared liability;
Examples include large complicated sites such as Giant (F/T);
Lynn Lake (Private/Public); McIntyre/Hollinger (Private/Public)
Instrument: cooperation agreement that sets terms and conditions;
Administration: can be flexible
Legislative requirements: none
Challenges:

- negotiating agreements;
- indemnification;

Opportunities:

- Benefit from expertise and in kind contributions
- May result in more holistic approaches to site remediation

Partnerships II Private/Public

- Application:** collective approach to remediating sites with crown liability, typically small to medium scale projects;
- Instrument:** cooperation agreements, in kind contributions require indemnification provisions;
- Administration:** can be flexible
- Legislative requirements:** Good Samaritan Legislation for most effective application
- Challenges:**
- Inability to provide indemnification has resulted in cumbersome administrative framework, where direct financial contributions are made to government and government then undertakes all project management;
 - Limits opportunity to benefit from in-kind contributions
- Opportunities:**
- Benefit from expertise and in kind contributions

Production Levy

Manitoba Pits and Quarries Rehabilitation Program

- Application:** all sites both private and crown held;
- Instrument:** \$.10/tonne rehab levy on all aggregate production;
- Administration:** funds deposited into Aggregate Rehab. Account
Program administered by province
Province assumes all liability
- Legislative requirements:** Program and levy enabled in legislation
- Considerations:**
- Displaces a previous program where operators were required to file rehabilitation plans and performance bonds;
 - There was general recognition that the former approach did not support remediation of old sites;
 - Many small sites on private land, with private mineral interests;
 - Operators now only pay rehab levy and there is no rehabilitation plan or performance bonding requirement
 - Requirement to maintain a minimum balance in the fund to offset liability for current operations
 - Primary risk is public safety, limited environmental or health risk;
 - Large number of low cost projects

Dedicated Revenue Stream

Manitoba Mining Community Reserve

- Application:**
- Fund does not apply to mine site rehabilitation;
 - used to support mining communities dealing with transitional issues related to mine openings or closings
 - Also used to support exploration incentive programs to proactively mitigate closure risks.
- Instrument:** 3% of mining tax revenue directed to MCRF annually (since 1972)
- Administration:**
- Special purpose account outside of general revenue account;
 - Expenditures do not impact government bottom line
- Legislative requirements:** Enabled within Mining Tax Act
- Considerations:**
- Variable revenue stream related to mine profitability
 - Available funding may be unpredictable
 - Only contributors are those companies in a taxable position
 - Similar types of arrangements could potentially be adopted for OAM site remediation
 - Need to assess revenue requirements against expenditure requirements for this type of activity
 - Most likely applicable to small to medium sites with minimal environmental/health risk
 - Could provide a vehicle for receiving direct industry contributions as per partnership discussion.

Conclusion

- There are currently a variety of funding approaches being used by governments to address remediation or that could be adapted to address remediation;
- Should we consider developing a tool kit for governments to assist policy makers in determining best approaches for their specific needs and the unique circumstances of individual mine sites.