



# **REHABILITATING ABANDONED MINES IN CANADA: A TOOLKIT OF FUNDING OPTIONS**

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## **OBJECTIVE**

- **The objective of this study is to provide a guidance document or toolkit of funding options to politicians, bureaucrats and other parties.**
- **Project draws heavily on previous NOAMI studies by Joseph Castrilli.**
- **Overall NOAMI Objective is to create stable funding mechanisms to get the job done in a reasonable time frame in a jurisdiction.**

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## Funding Options

1. Direct Government funding from general revenues
2. Government funding through tapping existing revenue streams generated by mining, e.g. royalties
3. Create a fund through a new levy on mine production
4. Federal-Provincial/Territorial cost sharing arrangements from general revenues
5. Creating funding partnerships with mining companies

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## Option 1 - Funding From General Revenues

### Pros

- Systematic planning can proceed
- Emergency plans can be maintained
- Public knows progress is being made

### Cons

- Subject to claw-back unless legislated
- Some see this as an incentive to the industry

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## Option 2 – Tapping Existing Mining Revenue Streams

### Pros

- Potential for providing stable funding
- Has appearance that polluting industry is paying for past poor performance

### Cons

- Subject to commodity price cycles
- In reality these funds are coming from general revenues
- Subject to claw-back unless legislated

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## Option 3 – Create Fund With New Levy on Production

### Pros

- Has appearance of miners cleaning up their own mess. Has worked well with SMCRA in U.S.
- Created with new tax via legislation

### Cons

- Works best where burden can be passed on to consumers, e.g. coal, aggregates
- Viability with price-takers is uncertain
- New tax has fairness and policy implications

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## Option 4 – Federal-Provincial Funding From General Revenues

### Pros

- Potential for creating larger \$ pool
- Stable if legislated

### Cons

- Previous programs not overly effective
- Federal Government has excessive contaminated site issues without involvement in Provincial domains
- Only likely North of 60
- Subject to claw-back

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## Option 5 – Gov't/Industry Partnerships

### Pros

- Entrepreneurial opportunities exist and should be optimized
- Gets the job done
- Provides industry with positive visibility

### Cons

- Application limited to site specific cases
- Limited opportunity to create \$ pool
- Gov't policies on indemnification required

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## CASE STUDIES

### SITE SPECIFIC PROJECTS & \$\$

- **Britannia Mine, BC - \$75-100 million est.**
  - \$30 million from previous owner; partnership agree't to construct/operate WTP; general gov't revenues for remainder.
- **Giant Mine, NWT up to \$300 million est.**
  - General gov't revenues from INAC and NWT

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### Site Specific Projects Con'td

- **Hollinger/McIntyre Mines, ON - \$25 million est.**
  - Partnership agreement 50/50 with new proponent & Gov't
- **Lynn Lake Mine, MB - \$60 million est.**
  - 50/50 agreement with previous owner & gov't

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## CASE STUDIES – GOV'T PROGRAMS

- **BC Crown Contaminated Sites Program**
  - \$180 million NPV estimated
  - \$23 million 06/07; \$47 million -07/09
  - general revenues
- **Federal Contaminated Sites Program – INAC**
  - \$555 million estimated
  - general revenues

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## Govt Programs con'td

- **Manitoba Orphaned/Abandoned Mine Site Rehabilitation Program - \$70 million est.**
  - New \$70 million program announced Sept/06
  - general revenues
- **Ontario Abandoned Mines Rehabilitation Program - up to \$500 million est; 40% Crown**
  - \$112 million for period 1999-2012;
  - general revenues

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## RECOMMENDATIONS

1. **With some exceptions each jurisdiction is responsible for its' own abandoned mines. Before funding can be addressed in a meaningful way the problem must be defined and quantified through:**
  - 1.site assessment;
  - 2.creation of an inventory;
  - 3.risk analysis;
  - 4.cost analysis, and
  - 5.prioritization.

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## Recommends – con'td

2. **Valuation of the liability is important in that auditors must be able to see the liability diminish as funds are expended – use a sufficient contingency- say 30 percent. The valuation of the cost to rehabilitate must not be viewed as static.**
3. **Before redirecting existing mineral related revenue streams jurisdictions must determine whether sufficient revenues can be generated to support sustainable funding.**

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## Recommends – con'td

4. Jurisdictions considering imposition of a new levy on minerals production must determine whether the levy could generate sufficient revenue to support the required funding level; determine the impact on producers and consumers; and to consider the overall fairness of the levy, i.e. who is really responsible
5. Jurisdictions should be entrepreneurial and take risks in entering partnerships with industry on a site specific basis so that each party gets something.

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## Recommends – con'td

6. Jurisdictions contemplating partnership agreements must develop policies on indemnification against future liability so that the rules are clear.
7. As part of the policy discussion “Good Samaritan” legislation should be reviewed for appropriateness.

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## Recommends con'td

8. Where jurisdictions introduce rehabilitation programs, adequate staff resources and management must be put in place to ensure proper planning and inspection, value for money and emergency planning.
9. Finally, the funding mechanism should be legislated to provide greater certainty. However, seeking legislation can cut both ways.

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## BEST PRACTICES

- Evaluate liabilities – physical, chemical, financial, and legal.
- Evaluate sites for responsible parties.
- Complete risk assessments and prioritize.
- Develop long-term plan and realistic cost schedule to complete work.
- Review funding options for viability/efficacy.
- Select workable funding option(s).
- Sell to financial managers and ministry.
- Be persistent and opportunistic.

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# THE END



**Moneta Mine Easter Monday, 2004**