



2022 PRE-BUDGET SUBMISSION

WITH RECOMMENDATIONS FOR ECONOMIC RECOVERY IN THE NORTHWEST TERRITORIES AND NUNAVUT USING MINERAL RESOURCES

The NWT & Nunavut Chamber of Mines is pleased to submit this document in response to call for contributions to the upcoming Federal budget.

The upcoming budget provides Canada an opportunity to help the northern territories, particularly the Northwest Territories and Nunavut, to move forward in their evolution and their path to self-reliance using their mineral resource endowment. Simultaneously, it can allow northern resource development to help catapult Canada and the territories out of the COVID recession.

Specific recommendations we would like to see addressed in the budget are:

- 1. Creation of a Northern Mineral Exploration Tax Credit:**
Create for northern Canada an enhanced, 40% “North of 60” Mineral Exploration Tax Credit (N60METC) to help level the playing field for exploration investment in northern Canada and sustain and grow the already important benefits that northern mining is providing.

Natural Resources Canada statistics show that the North continues to capture a declining percentage of Canadian mineral exploration investment. This is largely due to higher costs in the north, AND the decision by provinces to provide additional provincial mineral exploration tax credits to attract investment.

Canada clearly recognizes the value of a mineral exploration tax credit to enhance mineral exploration investment. This was emphasized by the government’s recent decision to double the existing national METC to enhance critical mineral exploration.

However, just as under the existing METC, the decision to double the METC for critical minerals will continue to leave the north disadvantaged.

Creation of a specific North of 60 METC at a rate of 40% would help northern Canada to compete in capturing mineral exploration investment and reverse the declining trend as reported by Natural Resources Canada.

2. **Canada provide project-specific assistance** to mineral projects in northern Canada as it once provided 50 years ago.

The North is a high cost region due largely to its huge infrastructure deficit and climate. Under these challenging circumstances, the minerals industry is left on its own to raise money, to assume risks, to find and develop public resources for public benefit.

Government has a role to play in helping its industry agent to overcome the lack of infrastructure and other risk the north presents. From the late 1940s to the mid-1970s, Canada did partner with industry to develop public mineral resources by providing infrastructure and exploration assistance. Pine Point and Nanisivik are two good examples.

The Pine Point mine (1964-1988) demonstrates that government assistance with rail and power was returned (see box) through various taxes, through power and freight charges, and through job creation. Canada's 18% ownership of the Nanisivik Mine (1976 to 2002) saw it provide port, airport, road and community infrastructure.

The Pine Point Mine (opened 1964, closed 1988)

- **\$125 million total cost** of Pine Point Mine project, including ...
 - \$88 million Federal Government investment for railway and hydropower
- **\$1.8 billion return** over 25 year mine life (1964-1988):
 - \$339 million in dividends;
 - \$176 million in taxes;
 - \$400 million estimated freight charges paid to the Federally-owned Canadian National Railway;
 - \$246 million in wages and salaries;
 - \$500 million estimated spending on supplies and services; and
 - \$100 million to the Northern Canada Power Commission.

The Pine Point partnership between government and private enterprise returned handsome rewards to both, including paying for the railway and hydropower infrastructure which continues to serve the north 55 years later.

However, mining companies today are left on their own to assume full risk and full costs to develop public mineral resources in a very challenging part of Canada. This adds risks, and costs, and inhibits northern resource development.

Rejuvenating project-specific assistance would once again enable resource development in this huge under-serviced part of Canada. In addition to economic

growth, two additional and important benefits will come from Indigenous economic reconciliation and critical mineral production.

We recommend Canada re-establish a program of project-specific assistance in northern Canada as it once provided through its northern policy.

3. **Support the advancement of northern critical mineral mines.** Building on the above point, we ask Canada to take actions to assist critical mineral projects North of 60 to advance quickly to compete in this growing market. Critical minerals are an important contributor to the green economy and climate change, and it is important that Canada and the north move quickly to secure market positions before other countries fill that gap, and we miss the opportunity.

The NWT and Nunavut have several advanced critical mineral projects:

- Nechalacho has just become Canada's first rare earth element mine, albeit seasonal at this juncture. Some assistance from CanNor helped the mine develop innovative, greener processing technology. With appropriate permits, licenses and leases, the project hopes to reach full time, much larger concentrate production to feed a rare earth refining facility it is pioneering in Saskatchewan.
- The NICO project plans to produce cobalt, bismuth, copper and gold and with an all-season road, mine financing and production, will feed a refinery they will develop in Alberta to produce its critical minerals.
- The Prairie Creek zinc-silver-lead project is in process to construct an all-season road, and raise the financing to upgrade its existing mine and processing plant to begin production.
- The Pine Point project is undergoing project approval, and establishing its financing sources to begin production of the critical mineral zinc and lead.
- Nunavut has one uranium mine in waiting, and several advanced projects that could contribute feed stock for advancing small modular reactor technology, to provide additional energy to help combat climate change.
- Additionally, the NWT has some of the western world's best tungsten resources, including the currently closed Cantung mine that was forced to close due to China flooding the market. With Canada's support there is opportunity to turn this currently closed mine from liability to opportunity.

Canada's support of northern critical mineral projects to advance mining and critical mineral refining in Canada, along with infrastructure support would help make Canada and the north an important supplier of critical minerals to the Western World.

4. **Support, fund and advance transportation, power and communications infrastructure in the NWT and Nunavut.** The following infrastructure projects would benefit communities, would support critical mineral development, would advance Indigenous economic reconciliation, and would reduce greenhouse gas emissions by allowing other energy sources to replace diesel:
- a. In the NWT, **increase Taltson hydropower capacity**, with connection to Yellowknife and beyond to mining projects, reducing costs for northern residents and for critical and other mineral resource development.
 - b. Similarly, in Nunavut, constructing the **Kivalliq Hydro-Fibre Link** would see cheaper and greener hydropower and fibre optic communications from Manitoba to communities and mines in the Kivalliq region.
 - c. In the NWT, construction of the **Slave Geological Province road** to the Nunavut border would open up significant mineral wealth in this region.
 - d. In Nunavut, construction of the **Gray's Bay Port and Road** to the NWT border will provide access to mineral wealth in Nunavut's portion of the Slave Geological Province and importantly for the first time would connect Nunavut by road to the rest of Canada.
 - e. Take the lead and trial a **Small Modular Reactor** at Canadian Forces Station Alert, Nunavut. A staggering amount of fuel for heat and power must be flown to Alert annually making it the most expensive in the country in terms of money, lives historically lost, and ongoing risk. This situation screams for better alternatives to support Alert in protecting Canadian sovereignty at the top of the country. As a federal military installation, located in the Canadian Arctic, outside of the Nunavut Settlement Area, Alert is an ideal location for Canada to demonstrate its support of SMR technology.

Strong Outcomes

Our recommended actions by Canada can help to achieve the following strong outcomes:

- Healthier mineral exploration investment in northern Canada, required to sustain and grow mineral development, the largest contributor to the northern economies, and to Indigenous community and business benefits, and would strengthen Canada's economy;
- Development of mineral resources that contribute to northern and Indigenous community infrastructure and health through training, employment, business, and royalty and tax payments to Indigenous and public governments. Northern resources would contribute to healthier and more resilient northern communities;
- Quicker COVID economic recovery and Canadian debt repayment; and
- Strengthened Canadian sovereignty in the face of competing Arctic interests.

Existing policies can support

The recommendations provided here can be accommodated through the ***Arctic and Northern Policy Framework***, and the ***Minerals & Metals Policy of the Government of Canada***. The recommendations would also assist Canada with various goals including critical mineral development, climate change and carbon reduction, Indigenous economic reconciliation and improved Canadian infrastructure.

Canada can make its untapped and underserviced North a new and important economic development region for all Canadians, harnessing the North's natural economic advantage, its mineral resource endowment, to provide jobs, business, and tax revenues that can be applied to housing, food security, education and other needs to make communities healthy and resilient. A renewed federal commitment to northern development will be of benefit to both northern and southern Canada and Indigenous and non-Indigenous Canadians.

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