



## 2023 PRE-BUDGET SUBMISSION

### RECOMMENDATIONS TO SUPPORT HEALTHY MINERAL EXPLORATION AND DEVELOPMENT IN NORTHERN CANADA

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

Canada has a significant opportunity to help its North to advance in its evolution and on its path to self-reliance using their mineral resource endowment, including minerals critical to their economies and to the greening of the world. Development of northern mineral resources is proving to be a powerful and proven contributor to Indigenous economic reconciliation.

On behalf of the northern minerals industry, we ask Canada for budget support in three areas:

- Creation of a North of 60 Mineral Exploration Tax Credit to level the playing field with provinces;
- Project-specific assistance to northern critical mineral projects as Canada once provided

#### To elaborate:

##### 1. Creation of a Northern Mineral Exploration Tax Credit to help level the playing field

Canada's decision to double the national Mineral Exploration Tax Credit (METC) for critical minerals confirms Canada's belief in the power of this tool to increase mineral exploration.

Provinces with larger tax bases have the ability to offer further Provincial tax credits compounding the unattractiveness of the territories for exploration investment. The Provincial addition of their own exploration tax credit combined with the enormous infrastructure deficit in the northern territories leaves the north as an undesirable location to invest exploration dollars.

Canada's north has tremendous mineral potential however, Natural Resources Canada have noted a steady decline on exploration investment over the past decade. In fact, the majority of investment dollars spent in the north are by major companies conducting exploration work around existing mines.

Crown-Indigenous Relations and Northern Affairs Canada's 2021 report [Analysis of a Proposed North of 60 Premium Mineral Exploration Tax Credit](#)<sup>1</sup> provides solid rationale to increase northern mineral exploration through the creation of a North of 60 Mineral Exploration Tax Credit (N60METC). The compelling argument we would reinforce is that the institution of a N60METC is not a cost to Canada rather a forfeiture of revenue, and an increase in mineral

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<sup>1</sup> See also: [CIRNAC North of 60 Mineral Exploration Tax Credit, October 2020](#)

exploration in the north provides multiples on the dollars spent via secondary and tertiary companies.

Consistent with the results of the CIRNAC study, we recommend a N60METC set at 40% to allow the North to better compete and attract the healthy mineral exploration required to sustain and grow its mineral development. We also recommend that exploration for all minerals be eligible for N60METC support, as many critical mineral development opportunities are limited by the significant infrastructure deficit. The creation of a N60METC would help support the strides made to date in Indigenous economic reconciliation created through existing mineral development jobs, businesses, community benefits, taxes and royalties.

## **2. Re-instate specific assistance to northern mineral projects as Canada once provided**

The North is a high-cost region due to its huge infrastructure deficit and tough climate, and the minerals industry faces challenges in financing and operating mines under these conditions.

Government has a role to play in helping its industry partner 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<sup>2</sup>. Pine Point is once such example (see box below).

The Critical Minerals Strategy recognizes this challenge, quote:

*In rural, northern, and remote regions, infrastructure gaps also hamper mineral development. To boost or develop new mine production, and to do so in a cost-effective and environmentally responsible manner, the Government of Canada will look for opportunities to partner with the private sector in financing new projects, support building the necessary infrastructure for priority deposits, advance innovation to improve efficiency and environmental performance, strengthen Indigenous engagement, and streamline regulatory and permitting processes.*

The NWT and Nunavut have several advanced critical mineral projects that would benefit from such assistance, including:

- The Pine Point project is undergoing project approval and establishing its financing sources to begin production of the critical mineral zinc and lead. Without new Taltson hydropower expansion, the mine will need alternative energy including LNG for energy.
- 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 plans to reach much larger concentrate production to feed a rare earth refining facility it is constructing in Saskatchewan. The mine site needs alternative energy to diesel power, and Taltson hydropower could provide that.
- 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

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<sup>2</sup> [Federal Government Historical Support for Transportation Infrastructure](#), Summary of Federal Reports

Alberta to produce its critical minerals. There is insufficient hydropower that could be unleashed with connection to a proposed Taltson hydropower grid.

- 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. It will need alternative energy to diesel power.
- 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 Mactung, one of the largest-known tungsten deposits outside of China. With Canada's support there is opportunity to turn this untapped deposit into opportunity.

#### **The Historic Pine Point Mine (in operations from 1964 to 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.

### **Our Recommendations would Produce Strong Outcomes**

A North of 60 Mineral Exploration Tax Credit would make the north competitive with the provinces, and would support mineral exploration to return to much higher, and healthier levels to sustain Canada's northern mining industry. And it would do at little cost to government, but significant upside as new moneys would be raised to explore.

Canada's support of specific northern critical mineral projects such as these would help make Canada and the north an important supplier of critical minerals to the Western World, and simultaneously address climate change, provide Indigenous economic reconciliation, bolster northern economic self-reliance, and even strengthen Canadian sovereignty. Furthermore, infrastructure investment provided in support of mineral development can remain in place as legacy infrastructure for the continued use by Northerners. All the hydropower and rail facilities in the NWT were built in just such a fashion and continue to benefit the public.

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 strengthens 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 resource developments would contribute to healthier and more resilient northern communities;
- Strengthened Canadian sovereignty in the face of competing Arctic interests.

### **Existing policies can also reinforce and support**

We believe the recommendations requested here can also be augmented 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, addressing 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. It would also allow the north to do its part in contributing to improvements in global climate change. A renewed federal commitment to northern development will be of benefit to both northern and southern Canada and Indigenous and non-Indigenous Canadians.

----- Thank you -----