



## **PRE-BUDGET SUBMISSION WITH RECOMMENDATIONS FOR ECONOMIC RECOVERY IN THE NORTHWEST TERRITORIES AND NUNAVUT USING MINERAL RESOURCES**

The NWT & Nunavut Chamber of Mines (Chamber) is pleased to submit this document in response to call for contributions to the upcoming Federal budget. **We would draw your attention, in particular, to the answers provided under Question 6.**

We are submitting this for two purposes related to the prebudget submission:

- First to reinforce and provide additional information to the online virtual discussion our Chamber had with the Deputy Prime Minister and Minister of Finance, Chrystia Freeland, on February 2, 2021; and
- Second, to provide additional responses to the formal [online survey](#) made available to all Canadians to participate in the pre-budget consultation process.

We believe that this upcoming budget provides Canada an opportunity to help the northern territories, particularly the Northwest Territories and Nunavut, to move forward in their evolution and path to self-reliance using their mineral resource endowment, while at the same time, using development of those resources to help catapult Canada and the territories out of the COVID recession.

### **Response to Questionnaire**

#### **1. What investment do you think would best create jobs and grow the economy?**

- Help Canadians train for new opportunities
- For young people worried about entering a weak job market, increase support through apprenticeship opportunities, co-op placements, and internships
- Invest in broadband to improve Canadians' access to high-speed internet

#### **2. Which of the following measures would you use to determine if Canada's economy is recovering from the effects of the COVID-19 pandemic?**

- Employment rates
- GDP Growth
- When businesses in my community are re-opening
- When I, or people I know, go back to work full time
- Other:
  - When Canadians have received Vaccines
  - Data on how many businesses have shut and how many survive with help from Federal relief packages.

- Measuring how many Canadians are actually on CERB and if they are returning to work
3. **Once the COVID-19 virus is under control, how do you think the government can help drive Canadian innovation to spur new jobs and growth in our economy?**
    - Invest in training programs to help Canadians progress in their careers and prepare for the jobs of tomorrow
    - Invest in infrastructure to move goods and people more efficiently
    - Help make low-carbon options more affordable to Canadians
  4. **What are the most important ways the Government of Canada can help ensure an inclusive recovery that leaves no Canadian behind?**
    - Make job-related training more accessible and affordable
    - Continue to invest in affordable housing
    - Reconciliation with Indigenous peoples
  5. **What are your top priorities for Budget 2021?**
    - Infrastructure investment
    - Education and skills
    - Getting a fair price for our natural resources
  6. **If you were designing the federal budget, what would you like to see in it to help create jobs and grow Canada's economy?**

As we discussed with Finance Minister Freeland in our meeting of February 2, 2021, Canada has an opportunity to help its northern territories to be a stronger, healthier and more significant economic contributor to the country, while simultaneously contributing to Canada's path forward on COVID recovery, Indigenous economic reconciliation, the green economy and climate change, and northern sovereignty.

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

1. **Create for northern Canada an enhanced, 50% Mineral Exploration Tax Credit (METC)** 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. Canada already has a national METC in place, however it does not assist the north in competing with southern jurisdictions. Creation of a new North of 60 METC (or increase of the current METC just for the north) would help sustain the benefits of mineral resource development in the north, the largest private sector contributor to the economy. A special METC will help the ailing territorial exploration investment which Natural Resources Canada statistics continue to show are falling and lackluster.
2. **Support the rapid advancement of northern critical mineral mines.** Take actions to ensure shovel-ready critical mineral projects in the NWT can compete

in this growing market. Critical minerals are an important contributor to the green economy, 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. We have several opportunities with two advanced projects – the NICO project with its cobalt and bismuth, and the Nechalacho project with its rare earth metals – and we have the currently closed Cantung tungsten mine that might be rejuvenated with Canada’s help.

3. **Provide project specific assistance** to mineral projects in northern Canada as Canada once needed 50 years ago, to help fuel development in this 40% of Canada. From the late 1940s to the mid-1970s, Canada provided assistance for infrastructure to specific resource development projects in northern Canada to help this underdeveloped region of the country grow. That support has been lost, and today mining companies must assume full risk and full costs of developing public mineral resources in the north, without any assistance of the government. This affects profits, adds risks, and is retarding resource development. The history of government assistance with specific projects shows that over project life, that assistance is returned to governments including through various taxes, through power and freight charges, through social assistance and employment insurance savings with job creation, etc. Good examples include federal rail and hydropower support at the Pine Point mine (1964-1988), and also Canada’s 18% ownership to help start the Nanisivik Mine (1976 to 2002).

**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

4. **Fund actual construction of road and hydropower infrastructure in the NWT and Nunavut.** There are several nation-building infrastructure projects that will help the NWT and Nunavut contribute to, and connect with, Canada, and also contribute to carbon reduction by supplanting diesel power generation:
  - a. In the NWT, **increase Taltson hydropower capacity**, with connection to Yellowknife and beyond to mining projects, reducing costs for northern residents and the mining industry.

- b. Similarly, in Nunavut, the **Kivalliq Hydro-Fibre Link** project would see the connection of 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 to open up the mineral wealth in this region. As part of this, replace the original **Frank's Channel bridge** with a modern, higher capacity bridge to provide risk free service to the capital city of Yellowknife and mineral development beyond.
- d. In Nunavut, construction of the **Gray's Bay Port and Road** to the NWT border, providing access to rich mining potential, and finally connecting Nunavut to the rest of Canada with road access.

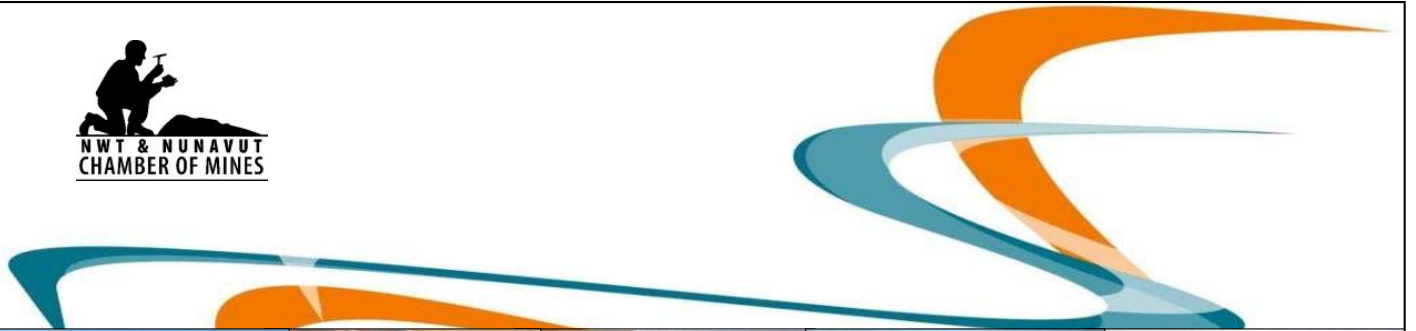
Such actions by Canada can help to achieve the following strong outcomes:

- Mineral exploration increases, which leads to healthier and stronger mining and sustains and grows its many benefits to the North and to Canada;
- Mineral resource development is properly linked to community health improvements, including housing. After all, developing northern resources should lead to healthier and more resilient northern communities;
- Northern Canada helps COVID economic recovery emerge stronger in Canada; and
- Northern sovereignty is strengthened in the face of competing Arctic interests.

While this request may seem to be a tall order, in fact, most of this work can be accomplished through the Arctic and Northern Policy Framework and other policies including infrastructure, critical minerals, climate change, and Indigenous reconciliation.

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.

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



**Canada's help and vision could strengthen the North and its people**  
*With Mineral Development its Foundation*

For: Deputy Prime Minister & Finance Minister Chrystia Freeland  
February 2, 2021

Thank you very much Minister for reaching out to us.

We've already sent bio's so you know who we are, and we certainly know who you are. 😊

Given we only have 20 minutes of your valuable time, let us cut to the chase.

We've put together a few slides to help emphasize our key messages which are: (next slide)

## Key Messages

- Canada's North is languishing with unrealized potential
- Mineral resources are the north's economic advantage
- Mining is making a positive difference to Indigenous & other Canadians
- But Industry faces many challenges in sustaining benefits on its own
- Resource benefits would be stronger with gov't help
- COVID recovery and the Arctic Policy present timely opportunities



Canada's North is languishing with unrealized potential

Mineral resources are the north's economic advantage – we just don't have all the other opportunities southern economies do.

Mining is making a positive difference to Indigenous & other Canadians - Indigenous economic reconciliation

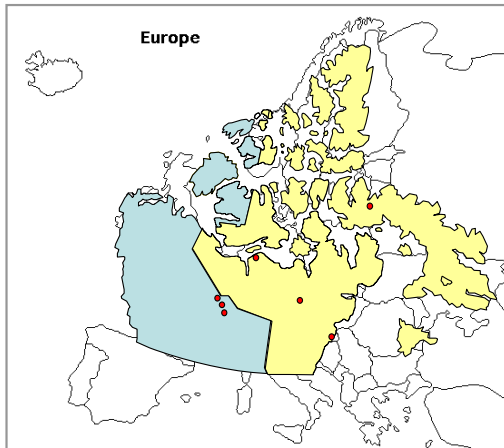
But Industry faces many challenges in sustaining benefits on its own – and we are left to our own

Resource benefits would be stronger with gov't help (as Canada once provided)

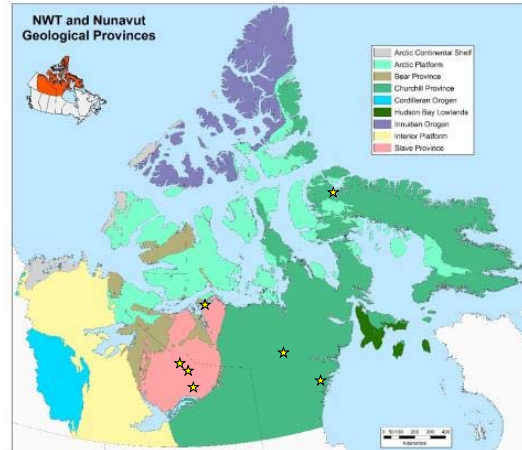
COVID recovery and the Arctic Policy present timely opportunities

# Canada's North: Vast with barely tapped, high mineral potential

*Huge Geography*



*Rich Geology, but barely tapped*



- NWT + Nunavut = 1/3 of Canada's geography with less than 85,000 residents
- Strong mineral potential: diamonds, precious and base metals, rare earths, uranium, critical minerals
- Only 7 operating mines in an area the size of Europe: tiny mine footprint < 0.01% of area



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Two quick maps:

You can see we are incredibly huge – compare to NWT and NU to Europe for scale.

With only 85,000 residents, you'd think we would be self-sufficient, but we aren't.

But we have great mineral potential, and we have just scraped the surface in putting it to work.

We have only 7 operating miners with a very tiny footprint, less than 0.01% of NWT and NU combined.

In fact, all of the historical and current mine sites in the NWT and Nunavut, make up less than 1/6 the size of the GTA. Who and what are we protecting land from?

## Mining is demonstrating it can make a difference

- 87,930 person-years of employment
  - 40% northern/60% southern
  - 2,143 northern workforce (26%) in 2019
- \$32.7 billion in business
  - \$20.3 billion northern (64%)
- \$Billions in taxes and royalties to public and Indigenous governments
- \$100's million dollars to communities in IBA payments, scholarships, donations, & community wellness projects

*Source: Compilation of mines' annual socio-economic data from 1996-2019*



Modern mining over the past 25 years has shown a game changing difference, socio-economically.

What's not shown here is that we have also done this under leading edge environmental regimes in Canada.



## Mining = Economic Indigenous reconciliation, eg: Det'on Cho

- **Det'on Cho Yellowknives Dene First Nation employment**
  - Approximately 100 members employed directly by the mines plus another 100 members indirectly (through companies such as DCC, etc.)
- **Det'on Cho Corporation employment**
  - DCC has approximately 250 direct employees with an additional 660 workers through partnerships and JVs (Approximately 75% are NWT residents)
  - Combine Tlicho and Det'on Cho and we are the largest private employer in the NWT
- **Det'on Cho's Bouwa Whee Catering**
  - 180 employees, 85% are NWT residents, 50% are Indigenous
- **Det'on Cho Corporation contribution to local economy**
  - Average wage \$90,000+ / year (higher than National avg)
  - \$54M in wages (\$90K \* 600) spent in local economy
  - Transfer payment: \$17,650,000 (600 \* \$29,431)



Data courtesy Det'on Cho Management LP



Indigenous economic reconciliation has been one of the benefits, witness this one Indigenous corporation built on mining.

In a nutshell, this slide says is that Det'on Cho Management LP is big and effective, but would not exist without mining.

Paul Gruner, President of Det'on Cho Management LP can speak to it in more detail.

Notes:

- Tlicho / Det'on Cho combined employ as many local people as the three mines combined
- Due to their social mandates Indigenous corporations employ and develop the more vulnerable and at risk population
- The concept of Environment, Social and Governance (ESG) is becoming increasingly more critical in investment decisions, the inclusion of Indigenous within the supply chain is a critical component of ESG in Northern mining operations
- Greater capacity within Indigenous groups to participate within the economy will further incentivize them to support resource projects and key infrastructure projects.

## But mining – on its own – faces significant challenges

- Mining is asked to be totally self-sufficient today – carries a price tag
- Symptoms over just the last 12 years:
  - Meadowbank gold mine profitability – deposit quality, infrastructure costs
  - Snap Lake diamond profitability & mine closure – deposit quality
  - Jericho diamond mine closure and bankruptcy – deposit quality
  - Ekati mine bankruptcy protection – maturing deposit quality, COVID market
  - Mary River iron mine profitability – market risk, infrastructure deficit
  - Hope Bay gold mine profitability – technology risk in Arctic



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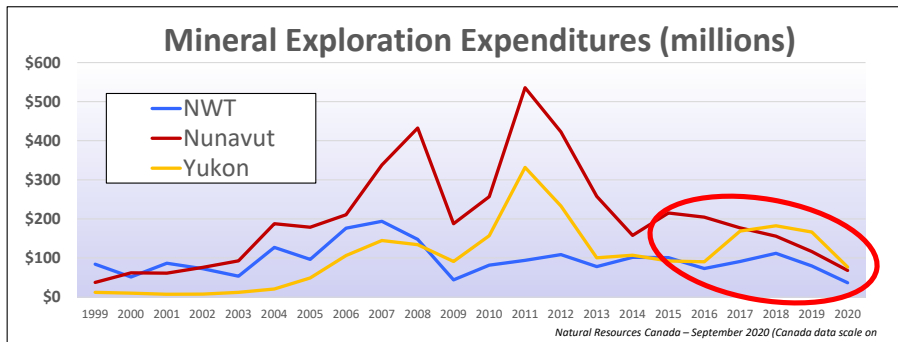
But mining – on its own and it is being left on its own with virtually no government support, faces significant challenges.

Mines today must supply virtually everything themselves, and this creates thin margins in a challenging environment like the North.

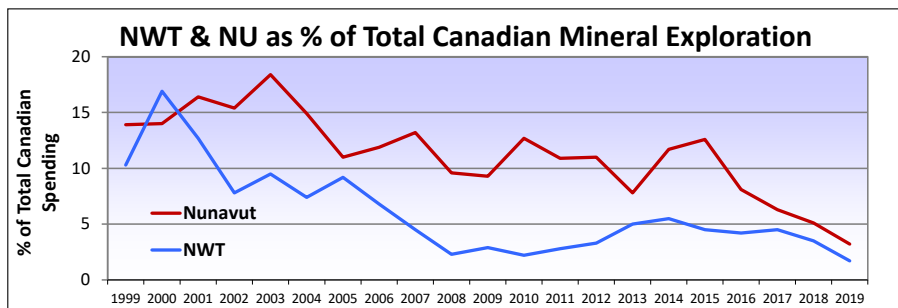
- Meadowbank gold mine was never profitable according to the company. Having to build a 110-km long Arctic access road did not help.
- De Beers spent over \$2.3 Billion (which benefitted northerners and Canada), but their Snap Lake diamond mine never made money because of water issues and deposit quality and eventually closed.
- This year the Ekati mine was forced into bankruptcy protection, due to its deposit quality in the face of severe COVID market effects
- The Mary River iron mine needs higher volume production and a billion dollar railway to help profitability
- And of course, then there is the Hope Bay situation, where untried southern technology has put them into a terrible bind.

Unless you have the world's very best mineral deposits, in favourable markets, these extra northern challenges can bite you.

## Sluggish and declining Exploration cannot sustain mining benefits



- Why?
- Unnecessary and shrinking access to prospective lands
- Higher costs in the north due to significant infrastructure deficit
- BOTTOM LINE: Less risky and expensive to go elsewhere.



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We need exploration to sustain mining.

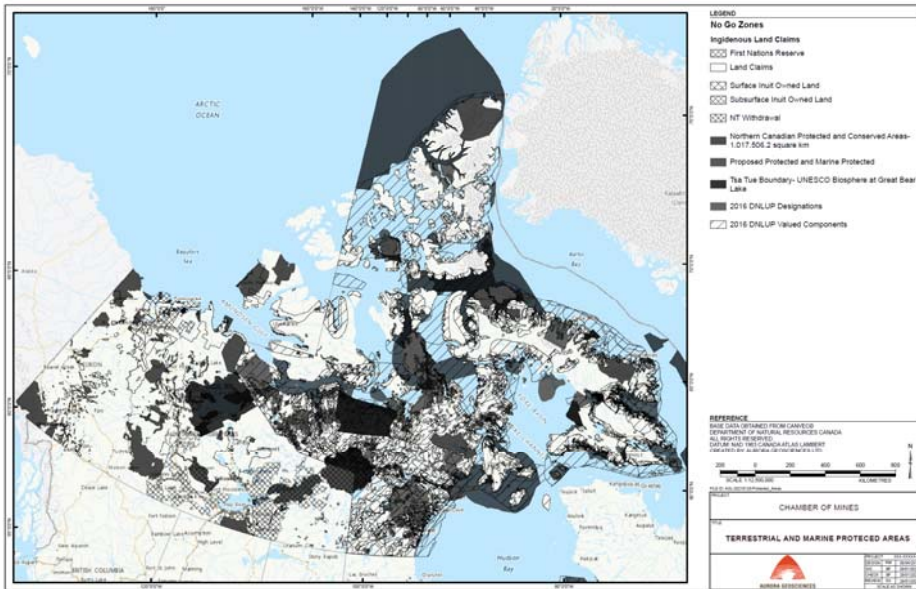
Unfortunately, exploration investment is sluggish and declining.

Sluggish in the NWT with 14 years of decline and flat lining.

Declining now for 5 years in Nunavut too.

Why? Several reasons as shown here and in following slides.

## Alarming & unnecessary decline in access to lands



- Uncoordinated approach by governments
- All historical mining is less than 1/6 the area of the GTA.
- Protections already built into modern land claim based resource management system
- Indigenous communities have a direct say in land use decisions – allow this to operate as intended
- Don't meet international commitments on the back of North

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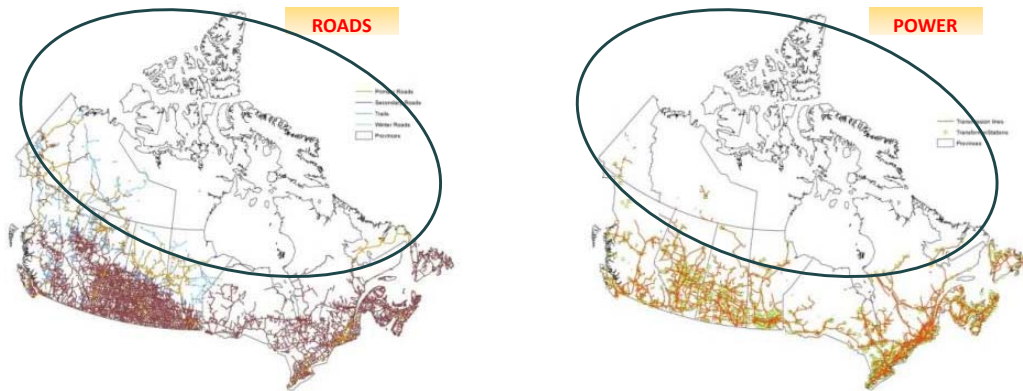
There is growing alienation of lands and waters to development access.

It is alarming given the lack of environmental pressures – mining is only point source, ie, it's not clear cutting of the Amazon. Yet tools that would be better suited to Amazon land use pressures are being used to remove land from development access. It's using a sledgehammer to drive a tack. (Note: we have only 7 operating miners with a very tiny footprint. In fact, all of the historical and current mine sites in the NWT and Nunavut, (grossly over-calculated) make up less than 1/6 the size of the GTA.)

And we believe unnecessary given the world class land claims based resource management systems in place in the NWT and NU were designed to manage lands in the north.

We are also concerned that there are provinces who will not provide 30% conservation, and so the North will become easy target to make up the shortfall, to the detriment of future economic development.

## High costs from Infrastructure deficit hinders development



- Exploration costs up to 6 x higher than the south
- Mine capital costs up to 2.5 times more
- Mine operating costs 30 to 60% higher



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These Federal maps of infrastructure density tell the story.

No infrastructure equals high costs, which also hampers development.

A study we participated in with The Mining Association of Canada, PDAC et al called “Levelling the Playing Field” identified the cost differential in the north due to the infrastructure deficit.

[https://www.miningnorth.com/\\_rsc/site-content/library/publications/Levelling the Playing Field - Final.pdf](https://www.miningnorth.com/_rsc/site-content/library/publications/Levelling the Playing Field - Final.pdf)

What is not shown is the continuing poor social situation from lower-than-average education levels, high unemployment, severe housing shortages, and other social problems that lack of an economy contributes to.

## Once there was Federal support to help industry

- Ottawa once enabled / partnered in resource development to benefit Canada
  - 1948 – Built the Snare Hydropower for Yellowknife gold mines
  - 1957-63 – Roads to Resources program, highways to mining and resource towns
  - 1960-70s – Federal Programs for Exploration Assistance and for specific project support
  - 1961 – Great Slave Lake Railway for Pine Point zinc-lead mine
  - 1966 – Taltson Hydropower for Pine Point zinc-lead mine
  - 1974 – 18% ownership in Nanisivik zinc-lead mine: town site, marine port, airport
  - 1975 – New ice-breaking cargo ship technology to service Nanisivik & Polaris mines
- **There's been a 40 YEAR FEDERAL INVESTMENT GAP FOR NORTHERN MINING**



It wasn't always this way.

Once there was Federal government support to work with the mining industry to help overcome the challenges.

You can see the many examples here:

- In 1948, the Federal government built the Snare Hydropower system for Yellowknife and its gold mines
- In 1957-63 – Roads to Resources, highways to mining towns
- 1960-70s – Federal Programs for Exploration Assistance and for specific project support (we can send the references)
- In 1961, Canada built the Great Slave Lake Railway for Pine Point zinc-lead mine
- And in 1966, the Taltson Hydropower plant for the Pine Point mine.
- In 1974, Canada took an 18% ownership in the Nanisivik mine and provided the townsite, dock, and airport for the zinc-lead mine
- And in 1975, Canada partnered in the Canarctic Shipping partnership with industry to build the world's first ice-breaking cargo ship to service the Nanisivik & Polaris mines. Technology still serving Canada's north.
- Unfortunately, we haven't seen any other investments until 2017 with the Tliche road which has some benefits for one mining project.

**We have suffered a gap of 40 years without federal investment in infrastructure for northern mining.**

We need help to catch up.

## Recommend: Canada strongly support northern mineral development to benefit northerners

- Recommended actions:
  - Create an enhanced and competitive North of 60 Mineral Exploration Tax Credit of 50%
  - Support and/or participate in individual resource projects as Canada once did
  - Support mining of NWT critical minerals for the green economy
  - Construct regional transportation, renewable energy & communications infrastructure
    - Taltson hydro and Kivalliq hydro-fibre; Slave Geological Road / Grays Bay Road and Port
  - Slow the rush to conservation, defer to the northern co-management systems
- To achieve strong outcomes:
  - Mineral exploration increases, mining and its many benefits are sustained and grow
  - Resource development is linked to community health improvements, including housing
  - COVID economic recovery emerges stronger
  - Northern sovereignty is strengthened in the face of competing Arctic interests



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We recommend Canada strongly support northern mineral development to benefit northerners, and of course Canada.

Our recommended actions are:

Create an enhanced and competitive North of 60 mineral exploration tax credit of 50% to help us compete with the south

Support and/or participate in individual resource projects as Canada once did

Support mining of NWT critical minerals for the green economy – don't let us be bypassed

Actually construct regional transportation, renewable energy & communications infrastructure that we have been discussing for several years now:

Taltson hydro and Kivalliq hydro-fibre; Slave Geological Road / Grays Bay Road and Port

Slow the rush to conservation, defer to the northern co-management systems

We believe this will help achieve a number of strong outcomes.

Mineral exploration will rebound and as a result mining and its many benefits to communities will be sustained and grow

Resource development is linked to community health improvements, including housing.

After all, we mine to create community benefits.

COVID economic recovery emerges stronger

And Northern sovereignty is strengthened in the face of competing Arctic interests, like China which we recently saw.

The Arctic & Northern Policy Framework could be a convenient vehicle to use to help build such northern economic actions and outcomes. And COVID recovery is also timely for action.

Thanks very much.