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Minerals and Metals Sector update

Extractive Industries Review

After two years, five regional workshops and numerous submissions, the Final Report concludes there is a "need for a better balance as the EIR found that the World Bank Group (WBG) involvement in extractive industries, until recently, may have exacerbated social and political imbalances." The Report notes, “they have insufficient pro-poor policies” and recommends that "the WBG has a role in extractive industries but only if its interventions allow extractive industries to contribute to poverty alleviation through sustainable development" with enabling conditions emphasizing better governance, human rights, and more effective social and environmental policies. Detailed recommendations, many representing Dr. Salim’s personal views, are controversial. These include: no WBG support for oil or coal as of 2008; increased emphasis on natural gas as a transition fuel as countries move towards renewable energy; no riverine tailings disposal; and no WBG funding for projects using submarine tailings disposal pending adequate assessment of the adverse effects on deep sea and marine food webs. Additional recommendations direct the WBG to: develop criteria for tailings displacement; require mine closure plans; address legacy issues; include accident prevention and emergency plans for projects; respect “no-go” zones and “no-go” technologies (e.g., use of cyanide); and require prior informed consent for all projects.
The Report was submitted to President Wolfensohn in January 2004.
The WBG’s management response to the Report will be considered by the Executive Directors towards the end of April 2004.

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Governments Meet to Establish an Intergovernmental Forum on Mining

Canada and South Africa convened the first preparatory meeting of The Global Dialogue of Governments on Mining/Metals and Sustainable Development October 1-3, 2003, in Geneva, Switzerland. The objective of The Global Dialogue is to establish a high-level forum where national governments can collectively address global issues that affect the minerals and metals sector. Activities could include: undertaking specific programs in partnership with governments, industry and other stakeholders to advance sustainable development in the sector; acting in a facilitating role to disseminate information and results of work arising from regional groups and organizations; and making recommendations to international organizations to improve policies that may be developed that could affect the mineral and metal resource sector.

Some 65 delegates representing 36 countries, as well as observers from 4 multilateral institutions, met to negotiate key elements towards launching an Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development. Delegates agreed to a draft terms of reference and draft rules of procedure for the Forum and identified six key themes that could form the basis for a future work program in the areas of governance, small-scale and artisanal mining, legacy issues, indigenous peoples and communities, planning for sustainability, and climate change and mining. Delegates agreed to meet again in the Spring of 2004. Information related to the outcomes of the meeting are available on the internet at www.globaldialogue.info.

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Exploration Tax Credits

The Canadian mineral exploration sector led the world in exploration expenditures in 2002 and 2003, thanks in large part to an enhanced flow-through share program that has been dubbed “Super Flow-Through” by the industry. The existing flow-through share system, which allows a company to flow a 100% deduction for the cost of eligible exploration expenses through to a private investor, has been enhanced by a 15% tax credit since October 2000. These tax incentives have been sweetened by provincial tax incentives in British Columbia, Saskatchewan, Manitoba, Ontario and Quebec. The combination of these incentives has resulted in over $525 million in flow-through share funds being raised for Canadian mineral exploration between October 2000 and the end of October 2003. The ability to raise financing using the 15% tax credit will end on December 31, 2004, although companies have a further 12-month period to spend the funds on exploration.
Industry associations have requested an extension to the program.

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