



Action Plan 2002

Status Report

Reports on the activities of working groups arising from Action Plan 2002 of the Mines Ministers' Conference submitted for consideration at the 60th Mines Ministers' Conference

Halifax, Nova Scotia • September 2003



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Introduction

The Status Reports contained hereunder reflect the actions taken on the major issues affecting the mining industry in Canada, under the direction of the provincial, territorial and federal ministers of Mines at the Mines Ministers' Conference 2002.

The reports were prepared either by working groups established by the Intergovernmental Working Group on the Mineral Industry (IGWG) or by officials responsible for a specific issue.

Therefore, the views contained in the reports do not necessarily reflect those of IGWG as a whole.

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Corporate and Industry Performance

Mines Ministers expressed concerns that resource industries have not yet been able to benefit from federal corporate income tax rate reductions announced in 2000 and that certain tax reform proposals being discussed could affect the international competitiveness of the mining industry.

In Action Plan 2001, provincial and territorial ministers expressed the need for a reduction in the federal corporate tax rate for the mining sector, in keeping with reductions for other industrial sectors. Ministers mentioned that this reduction should not affect any specific allowances currently granted to the industry with regard to the particular nature of the sector such as the resource allowance and accelerated depreciation. Ministers are recommending that Finance Canada should continue to hold provincial/territorial discussions on tax reform prior to finalizing the new tax structure.

Considering the budgetary consultations in progress in the federal government, the Minister of Natural Resources Canada undertook to continue dialogue with his colleague, the Minister of Finance, regarding the impacts of various tax treatments on the mining sector.

Provincial and territorial ministers will continue to seek tax improvements in their jurisdictions.

BACKGROUND

The 2003 Budget announced a change to the current system of taxation resource income by phasing in, over a period of five years, the following changes:

- A reduction in the federal corporate income tax rate on resource income from 28 to 21 percent;
- A deduction for actual provincial and other Crown royalties and mining taxes paid and the elimination of the existing 25 percent Resource Allowance; and
- A new tax credit for qualifying mineral exploration expenditures.

A technical paper was released on March 3, 2003, by Finance Canada to provide greater details on the proposed changes. This paper includes an implementation as scheduled for the various proposed measures.

The 2003 Budget also announced the elimination of the current federal capital tax by:

- Increasing the capital threshold at which the tax applies from \$10 million to \$50 million effective 2004; and

- Reducing the rate of the capital tax in stages over a period of five years so that by 2008 the tax will be completely eliminated.

On June 9, 2003, the Minister of Finance Canada tabled a Notice of Ways and Means Motion in Parliament to implement the income tax changes for the resource sector announced in the February 2003 budget.

These changes to the resource income tax system are part of a process by Finance Canada to reform the corporate income tax system, which is now substantially complete. There may, however, be need for provinces to adjust their tax regimes to avoid any unintended outcomes resulting from the federal changes.

ACTIONS TAKEN

Following the February 2003 federal budget, an IGWG working group was established to examine the impact of the corporate income tax changes on the mining industry. In addition to representatives from provincial/territorial departments of mines and minerals, The Mining Association of Canada (MAC), the Prospectors and Developers Association of Canada (PDAC), Finance Canada, and the Canada Customs and Revenue Agency (CCRA) took part in the discussions. This group held teleconferences several times in the spring and summer of 2003 and the individual provinces held bilateral discussions with Finance Canada.

A report entitled *Taxation Issues Relating to Exploration and the Restructuring of Resource Taxation* has been prepared and will be presented at the 2003 Mines Ministers' Conference. The report will present a summary of the government and industry discussions on the changes to the federal corporate income tax treatment for the mining industry.

RECOMMENDATIONS

- Provincial/territorial ministers should consult with their finance colleagues on the effect of the federal tax changes on their mining tax regimes and to make changes to prevent an unintended increase or decrease in taxes paid by the mineral industry.
- NRCan officials should continue to work with the provinces and territories through the IGWG subgroup on taxation issues, which should have its mandate extended for another year.

Mineral Exploration Funding

Ministers were pleased with improvements in current exploration spending across Canada resulting from incentives put in place by various jurisdictions.

Noting that recovery in the exploration sector is far from complete, and that the fiscal and budgetary measures put in place by various governments in recent years are only beginning to achieve desired results, ministers shared industry's view that further steps must be taken to ensure new discoveries and the renewal of reserves of many commodities in Canada.

In accordance with recommendations of the Intergovernmental Working Group, Ministers agreed that the Minister of Natural Resources Canada will inform his colleague, the Minister of Finance, about the need to:

- Extend to December 31, 2004, the Investment Tax Credit for Exploration, with consideration given to another one-year extension; and*
- Extend by one year the allowed spending period for the money raised in the final year of the program.*

Concerned provincial mines ministers will, as well, inform their colleague ministers of finance of these recommendations.

Ministers also agreed to extend by one year the mandate of the Intergovernmental Working Group, asking for a final report at their next conference.

BACKGROUND

The February 18, 2003 federal budget extended the existing Investment Tax Credit for Exploration (ITCE) for an additional year, until December 31, 2004, and provided an additional year, to the end of 2005, for issuing corporations to make expenditures related to these flow-through share arrangements. The additional cost of the proposed program extension is estimated at \$25 million for fiscal year 2004-05.

Since the adoption of the ITCE in the October 2000 Economic Statement (mini-budget), the provinces of Ontario, Manitoba, Saskatchewan and British Columbia have introduced new tax credit programs to complement the federal ITCE (Ontario - 5 percent tax credit, Manitoba and Saskatchewan - 10 percent credits, and British Columbia - 20 percent credit). Quebec has reduced but extended deductions linked to flow-through shares.

ACTIONS TAKEN

The Minister of Natural Resources Canada wrote to his colleague, the Minister of Finance Canada, in October 2002 requesting the extension of the ITCE. This measure was included in the February 2003 federal budget.

Following the February 2003 federal budget, an IGWG working group was established to analyze the impact of the tax changes on the mining industry. In addition to representatives from provincial/territorial ministries and Natural Resources Canada, the working group included observers from The Mining Association of Canada (MAC), the Prospectors and Developers Association of Canada (PDAC), Finance Canada, and the Canada Customs and Revenue Agency. This group has met several times to discuss tax issues related to the mining industry, including the ITCE.

A report, entitled *Taxation Issues Relating to Exploration and the Restructuring of Resource Taxation* has been prepared and will be presented at the 2003 Mines Ministers' Conference. The report will present a summary of the government and industry discussions on the following three issues:

1. Evaluation of the effectiveness of exploration tax credits for flow-through shares;
2. Issues related to the definition of CEE expenses; and
3. Federal income tax restructuring for the resource industries.

The views and recommendations of individual provinces and associations are presented, but consensus views of the committee as a whole are not.

CONCLUSIONS AND RECOMMENDATIONS

- The ITCE was extended as requested by Mines Ministers and appears to have met its primary objective of raising levels of exploration spending in Canada. However, this increased exploration has yet to translate into an increase in reserves of base and precious metals, which are at historic lows.
- Provinces have recommended that the clarification of the expenses that are eligible for CEE be reviewed by a government-industry working group.
- The mandate of the tax working group should be extended until MMC 2004 to address the above taxation issues.

Orphaned and Abandoned Mine-Site Rehabilitation

Ministers agreed with stakeholder and industry representatives that continued emphasis on the development, in the short term, of strategies related to rehabilitation of orphaned and abandoned mine sites adapted to the needs of each jurisdiction is a priority.

In continuing the mandate of the multi-stakeholder advisory committee, Ministers asked that:

- Issues related to regulatory and institutional barriers to collaboration be studied;*
- Guiding principles and a best practices guide to foster meaningful community involvement be developed;*
- Accurate data management and a prioritization process be developed; and*
- Funding approaches and preferred options be documented.*

Furthermore, Ministers asked to obtain specific recommendations related to these issues for their next conference.

BACKGROUND

At the 2001 Mines Ministers' Conference in Québec City, Ministers agreed on the importance of a large-scale program for reclaiming orphaned/abandoned mine sites (O/AMs). They asked that a multi-stakeholder advisory committee on orphaned/abandoned mines be established to study various issues and initiatives pertaining to the development of partnerships in the implementation of remediation programs across Canada. Ministers stated that each provincial and territorial government will develop its own implementation strategy adapted to its specific needs.

The National Orphaned/Abandoned Mines Advisory Committee is a cooperative partnership of the Canadian mining industry, federal/provincial/territorial governments, environmental non-government organizations and First Nations. Work of the committee is jointly funded by industry and government organizations. The first meeting of the Advisory Committee was held in Toronto in March 2002 and first reported to Mines Ministers in September 2002 in Winnipeg.

At that time, Ministers agreed with stakeholder and industry representatives that continued emphasis on the development, in the short term, of strategies related to the rehabilitation of orphaned and abandoned mine sites adapted to the needs of each jurisdiction is a priority. In continuing the mandate of the multi-stakeholder advisory committee Ministers asked that:

- Issues related to regulatory and institutional barriers to collaboration be studied;
- Guiding principles and a best practices guide to foster meaningful community involvement be developed;

- Accurate data management and prioritization processes be developed; and
- Funding approaches and preferred options be documented.

Furthermore, Ministers sought specific recommendations related to these issues for their next conference.

STATUS

Key outcomes of work over the past year include:

- Workshop and recommendations to promote and enhance voluntary reclamation;
- Report on funding models and recommendations for implementation;
- Development of a two-tier structure for defining abandoned mines and related mineral sites, which will permit proper classification of mineral sites;
- Development of a pamphlet to guide community engagement and participation in rehabilitation initiatives; and
- Development of the NOAMI web site (www.abandoned-mines.org) to foster information exchange and technology transfer.

Status reports and specific recommendations of each Task Group are available on the NOAMI web site.

The Advisory Committee met in July 2003 to review actions to date and to synthesize recommendations for future activities. It was acknowledged that most Task Groups had met initial objectives and that the next steps involved developing an integrated action framework to guide future activities in each jurisdiction.

In that view, the Advisory Committee recommends that its mandate be extended to provide assistance and guidance to jurisdictions, as needed, in conducting jurisdictional reviews, particularly with respect to liability, funding approaches and inventorying. Key elements of a proposed Action Framework are summarized in Appendix I.

A cornerstone of the proposed Action Framework is the commitment of Mines Ministers that all jurisdictions will work in a cooperative manner toward consistent legislative and regulatory approaches, and related practices promoting reclamation actions that are clear, certain, coordinated and efficient. In developing the proposed Action Framework, the Advisory Committee and its Task Groups recognize the following:

- O/AMs are a serious problem across Canada that should be addressed in a coordinated, cooperative, transparent and efficient manner. Many of these sites pose environmental, health, safety, and economic concerns to local communities, the mining industry, environmental and conservation organizations, Aboriginal peoples and governments. The sharing of experiences between jurisdictions will provide opportunities for improvements in efficiency, efficacy and economy.

- The work of the Advisory Committee and Task Groups should be consistent with existing Aboriginal Treaty Rights (Section 35 of the *Constitution Act*, 1982). In addition, any relevant First Nations consultative policies, by-laws, codes, etc., will be recognized.
- Critical analysis of existing legislation, policies and practices across jurisdictions to promote coordinated, efficient, consistent and transparent actions by governments, communities, for-profit organizations and volunteers could provide opportunities to reduce or eliminate the negative human, environmental and social impacts caused by O/AMs.
- Voluntary action alone will not be sufficient to address the negative human, environmental and social impacts caused by O/AMs. Other mechanisms should be considered and applied.
- A realistic, results-based O/AM Action Framework should reflect common objectives; recognize the rights and responsibilities of all players, including the public; address the need for coordinated federal/provincial/territorial (F/P/T) regulatory and legislative approaches and appropriate funding commitments; and encompass industry/government partnerships.

RECOMMENDATIONS

- Mines Ministers support the continuing work of the Advisory Committee and the initiatives that the Advisory Committee will undertake over the next year, including implementation of the O/A Mines Action Framework (or "Action Framework") (Appendix 1).
- Development of the Action Framework and associated guidelines will be overseen by the Advisory Committee.
- Adequate human and financial resources should be contributed to the development of, and to deliver, monitor and, as appropriate, revise, the Action Framework.
- Key elements of the Action Framework proposed for 2004 include:
 1. Development of a policy framework for reclamation standards that addresses legislative/regulatory issues associated with the specific environmental challenges presented by O/AMs. This will include collaborative work with a variety of environmental agencies, including the CCME.
 2. Development of intergovernmental cost-sharing arrangements to address remediation at high-priority sites. This would represent a significant first step in implementing a broad range of funding mechanisms to address the issue.
 3. Complete guidelines for jurisdictional legislative reviews with respect to collaboration, liability and funding to ensure that approaches are:

- ▶ consistent (e.g., provide similar rights and responsibilities to participants; use common definitions for key terms such as orphaned mine, abandoned mine, reclamation, remediation, volunteer; and have consistent voluntary reclamation standards);
 - ▶ certain, transparent, coordinated (e.g., to encourage jurisdictions to promote a “one-window” permit approach); and
 - ▶ efficient (e.g., simplifying approval, permitting, and licensing processes).
4. The evaluation process for each jurisdiction should be completed within six months and the subsequent consolidation by the Advisory Committee should be completed within three months.
 5. Establish guidelines for facilitation and coordination of voluntary reclamation.
 6. Complete assessment of inventory standards required for the development of a pan-Canadian inventorying capability.
 7. Establish guidelines for site assessment and prioritization.

APPENDIX 1

National Orphaned/Abandoned Mines Initiative Action Framework

GUIDING PRINCIPLES

A cornerstone of the Action Framework must be the commitment of Mines Ministers that all jurisdictions work toward consistent legislative and regulatory approaches, and appropriate funding mechanisms and related practices to promote reclamation actions that are clear, certain, coordinated and efficient. In developing the Action Framework, the Advisory Committee and Task Groups recognize the following principles:

- O/AMs are a serious problem across Canada that must be addressed in a coordinated, cooperative, transparent and efficient manner. Many of these sites pose environmental, health, safety and economic concerns to local communities, the mining industry, environmental and conservation organizations, Aboriginal peoples and governments.
- The work of the Advisory Committee and Task Groups should be consistent with existing Aboriginal Treaty Rights (Section 35 of the *Constitution Act*, 1982). In addition, any relevant First Nations consultative policies, by-laws, codes, etc., will be recognized.
- There is a need to conduct critical analysis of existing legislation, policies and practices across all jurisdictions to promote coordinated, efficient, consistent and transparent actions by governments, communities, for-profit organizations and volunteers to reduce or eliminate the negative human, environmental and social impacts caused by O/AMs.
- Voluntary action alone will not be sufficient to address the negative human, environmental and social impacts caused by O/AMs. Other mechanisms must be considered and applied.
- There is a need for a realistic, results-based National O/AM Action Framework that: reflects common objectives; recognizes the rights and responsibilities of all players, including the public; addresses the need for coordinated F/P/T regulatory and legislative approaches and appropriate funding commitments; and encompasses industry/government partnerships.

TASK GROUP RECOMMENDATIONS AND GUIDELINES

Legislative and Institutional Barriers to Collaboration

General Principles:

- All relevant F/P/T legislation (acts and regulations), and related practices (such as permitting, licensing and approval processes) should encourage voluntary reclamation efforts by individuals, organizations and for-profit corporations to contribute funds, knowledge, equipment and/or time to reduce or eliminate the negative human, environmental and social impacts of specific O/AM sites.

Recommended Actions:

- All relevant F/P/T legislation and related practices must be reviewed and evaluated as soon as possible by the appropriate F/P/T authorities. Where necessary, actions must be commenced to amend existing or draft new legislation to encourage voluntary reclamation efforts, recognizing that this process may be lengthy.
- The Advisory Committee should facilitate the overall coordination and consolidation of the outcomes of the various jurisdictional review/evaluation initiatives to ensure that F/P/T legislation across jurisdictions is:
 - ▶ consistent (e.g., provides similar rights and responsibilities of participants; uses common definitions for key terms such as orphaned mine, abandoned mine, reclamation, remediation, volunteer; and has consistent voluntary reclamation standards);
 - ▶ certain, transparent, coordinated (e.g., to promote a “one-window” permit approach); and
 - ▶ efficient (e.g., simplifying approval, permitting and licensing processes).
- The evaluation process for each jurisdiction should be completed within *six months*, and the subsequent consolidation by the NOAMAC should be completed within *three months*.

Guidelines for Regulatory Review:

- All legislation and programs promoting voluntary reclamation efforts must incorporate the following principles:
 1. The level of effort associated with all aspects of voluntary reclamation activities, including planning, approvals, monitoring, reporting, documenting, public consultation, etc., is commensurate with the complexity of the site;
 2. For all voluntary reclamation efforts, plans must be provided to the appropriate regulatory authority. Where appropriate, a community notice and comment period is necessary prior to commencing work;

3. A preliminary assessment process by an appropriate regulatory authority to ensure that those undertaking voluntary reclamation efforts are capable, responsible and knowledgeable enough to complete the approved voluntary reclamation plan;
4. The legislation and programs must address the issues of indemnification and liability. It is incumbent upon the Advisory Committee to clarify the issues and options pertaining to indemnification and liability;
5. The legislation and programs must include monitoring procedures conducted by appropriate regulatory authorities; and
6. Those engaged in the voluntary reclamation effort must document and report on all activities completed.

Funding Approaches

General Principles:

- Funding mechanisms should embrace the principles of: polluter/beneficiary pays; fairness; openness, accessibility and participation; and sustainable development.
- The effectiveness of funding mechanisms should be evaluated against the following criteria: revenue-generating capacity; administrative ease; economic impacts; ability to address existing and future orphaned sites; ability to discourage future site contamination; emergency response; and public perception.
- Administering entities will have to bring to the task the expertise that resides within mines and environment departments as well as industry.
- Decision-making processes should include public input, oversight, accountability and be free from conflict of interest.
- Funding regimes should be designed to substantially eliminate the backlog of O/AMs in the jurisdiction.
- No single funding approach will constitute a complete solution; a combination of the following approaches will likely be required:
 - Government funding from general revenues coming from a single level of government;
 - Federal-provincial (or federal-territorial) government-funded cost-sharing arrangements from general revenues, where appropriate;
 - Levies on mining industry production;
 - Government-industry partnerships;
 - Government re-direction of a portion of existing mining tax revenue and a reduction of existing incentives to the mining industry, and application of both streams to orphaned/abandoned mine cleanup; and

- ▶ Fund interest, fines and administrative penalties imposed on the mining industry, donations by individuals or others, etc.
- Different approaches require differing degrees of legislative reform; programs funded from general revenues require the least amount of legislative change, while those imposing a levy on industrial production and the establishment of a dedicated fund could require significant legislative reform.

Recommended Actions:

- Development of intergovernmental cost-sharing arrangements to address remediation at high-priority sites. This would represent a significant first step in implementing a broad range of funding mechanisms to address the issue and can be accomplished without significant legislative amendment. This could be kick-started by an immediate contribution of federal funding, to be matched by provinces and territories where possible.
- All F/P/T legislation and related practices must be reviewed by appropriate authorities with a view to amending existing policy and, if necessary, amending existing legislation or enacting new legislation adopting and implementing a broad-based funding regime for the cleanup of orphaned/abandoned mines in their respective jurisdictions.

Guidelines for Regulatory Review:

In establishing a funding regime, the following guidelines/options should be considered:

1. The funding regime adopted in each jurisdiction include establishment of an Orphaned/Abandoned Mine Cleanup Fund ("OAMCF" or "Fund") into which general government revenue, industry levies, and other monies also are deposited on an annual basis.
2. Specification of the minimum annual financial appropriation to be made by the government and the period over which that level of appropriation is to continue.
3. Specification of an annual levy or levy range to be imposed on each mining company, mining industry sector, or classes within a sector as a cost attributable to its activities in the jurisdiction and the period over which that level of contribution is to continue.
4. Basis for government-industry partnerships and what effect, if any, they will have on an annual levy noted in (3) and tax and incentive measures noted in (5).
5. Amendment of federal and provincial tax laws to specifically identify: (1) the annual quantum of mining tax revenue being re-directed to the Fund, and (2) the annual quantum reduction of existing incentives to the mining industry being re-directed to the Fund.

6. Specific legislation enacted to facilitate remediation of orphaned/abandoned mines should:
 - ▶ Articulate the purposes of established funding regimes;
 - ▶ Specify the lands and water eligible for cleanup;
 - ▶ Identify the administering entity for the funding regime. The authors recommend that this entity be either a department of government or special government agency created by the legislation establishing the funding regime;
 - ▶ Authorize promulgation of rules and regulations addressing matters pertaining to administration of the funding regime; and
 - ▶ Specify priorities under which the funding regime will operate.
7. In conjunction with the establishment of a funding regime, the process of cleanup of O/AMs should be facilitated through measures designed to eliminate barriers and facilitate community involvement.

Information Gathering

- The principal activity was to develop consensus on the definitions and prepare recommendations for future work. The definitions of orphaned and abandoned sites vary between jurisdictions and the Task Group realized that a “national” definition for NOAMI’s use would be essential for the successful creation of a national inventory.
- To avoid complex and lengthy definitions, the Task Force proposes a two-tier structure for defining abandoned mines and related mineral sites, namely, a general or generic all-inclusive definition for abandoned and/or orphaned mineral sites and a series of definitions for more specific mineral sites.
- A set of “common parameters” and qualifiers will be needed for designing and constructing a suitable database (or linkages among existing databases) on abandoned and orphaned mineral sites. General parameters will include basic information such as type of mine, location, etc. More specific parameters will qualify the sites (risks associated, etc.).

Recommended Actions:

- Contract a consultant to summarize information received from each jurisdiction, develop consensus on "national" definition(s), and develop a list of parameters required to enable national inventorying;
- Develop a proposal for a "one window" portal to access available databases; and
- Develop guidelines for risk assessment and prioritization.

ACTION FRAMEWORK

Key elements of the action framework are summarized in Table 1. Implementation of the Action Framework and the development of associated guidelines will be overseen by the Advisory Committee. Ongoing work of the Task Groups would be focused on providing assistance and guidance to jurisdictions in conducting jurisdictional reviews, particularly with respect to liability, funding approaches and inventorying.

Activities and Timelines

1. Development of a policy framework for reclamation standards that addresses legislative/regulatory issues associated with the specific environmental challenges presented by orphaned/abandoned mines. This will include collaborative work with a variety of environmental agencies, including the CCME.

Timeline: 1 year - report back to Mines Ministers, 2004
Responsibility: NOAMI and/or other senior-level intergovernmental committee to initiate discussions

2. Development of intergovernmental cost-sharing arrangements to address remediation at high-priority sites. This would represent a significant first step in implementing a broad range of funding mechanisms to address the issue.

Timeline: 1 year (for development of program) - report back to Mines Ministers, 2004
Funding in place 2005/06
Responsibility: NOAMI/IGWG and/or other senior-level intergovernmental committee to initiate discussions

3. Complete guidelines for jurisdictional legislative reviews with respect to collaboration, liability and funding to ensure that legislation across jurisdictions is:

- ▶ consistent (e.g., provides similar rights and responsibilities to participants; uses common definitions for key terms such as orphaned mine, abandoned mine, reclamation, remediation, volunteer; and has consistent voluntary reclamation standards);
- ▶ certain, transparent, and coordinated (e.g., to promote a “one-window” permit approach); and
- ▶ efficient (e.g., simplifying approval, permitting and licensing processes).

Timeline: The evaluation process for each jurisdiction should be completed within six months, and the subsequent consolidation by the Advisory Committee should be completed within three months

Responsibility: Jurisdictions with guidance from NOAMI

4. Establish guidelines for facilitation and coordination of voluntary reclamation.

Timeline: 1 year to 18 months, submitted to Mines Ministers, 2005
 Responsibility: NOAMI

5. Establish guidelines for site assessment and prioritization.

Timeline: 1 year to 18 months, guidelines submitted to Mines Ministers, 2005
 Responsibility: NOAMI

6. Implement legislative/policy framework following completion of legislative review, item 3.

Timeline: Following completion of legislative review, 2005, through to Mines Ministers, 2006
 Responsibility: Jurisdictions

7. Develop ongoing process/mechanisms for technology transfer and best practices.

Timeline: Launch of web site - September 2003
 Annual workshops - 2005-2007+
 Responsibility: NOAMI

FUNDING REQUIREMENTS

The current funding formula for NOAMI is summarized below. Members of the advisory committee participate on a voluntary basis. To date the initiative has been funded through annual contributions from participating government and industry organizations.

Provincial/Territorial Mines or Environment Agencies @ \$5,000	\$ 60,000.00
Federal Departments (NRCan, EC, INAC) @ \$5,000	\$ 15,000.00
The Mining Association of Canada	\$ 30,000.00
Prospectors and Developers Association of Canada	<u>\$ 5,000.00</u>
Annual Total	\$110,000.00

As NOAMI moves forward into the implementation stages it is anticipated that funding requirements will be incremental. Development of a series of guideline documents over the next two years will require assistance from external consultants in the implementation of multi-stakeholder processes to meet NOAMI objectives. In addition, enhanced meeting schedules are needed to develop the policy frameworks required to address reclamation standards and develop a F/P/T approach to partnership

funding. The bulk of this activity would take place in 2004/05 and 2005/06. Using the current funding formula as a guide, over the next two years, NOAMI would be anticipating the following level of contributions from participating agencies:

	2004	2005
Provincial/Territorial Mines or Environment Agencies @ \$15,000	\$180,000.00	\$180,000.00
Federal Departments (NRCan, EC, INAC) @ \$15,000	\$ 45,000.00	\$ 45,000.00
The Mining Association of Canada	\$ 90,000.00	\$ 90,000.00
Prospectors and Developers Association of Canada	<u>\$ 15,000.00</u>	<u>\$ 15,000.00</u>
Annual Total	\$330,000.00	\$330,000.00

Funding for subsequent years would be significantly reduced, with support required for web site, maintenance, administration and annual workshops. Using the current funding formula as a guide, it is anticipated that NOAMI would require the following level of contributions from participating agencies:

	2006	2007
Provincial/Territorial Mines or Environment Agencies @ \$2,500	\$30,000.00	\$30,000.00
Federal Departments (NRCan, EC, INAC) @ \$2,500	\$ 7,500.00	\$ 7,500.00
The Mining Association of Canada	\$15,000.00	\$15,000.00
Prospectors and Developers Association of Canada	<u>\$ 2,500.00</u>	<u>\$ 2,500.00</u>
Annual Total	\$55,000.00	\$55,000.00

APPENDIX 1: National Orphaned/Abandoned Mines Action Framework - TABLE 1								
Task/Activity/Milestone	2000*	2001*	2002*	2003*	2004*	2005*	2006*	2007*
Mines Ministers' 2000	X							
Winnipeg Workshop		X						
Mines Ministers' 2001		X						
First Meeting of NOAMI			X					
<i>Information-Gathering Task Group</i>								
Definitions				→				
Inventory Standards				→	→			
Populate Databases					→	→	→	
<i>Community Involvement</i>								
Case Studies			→					
Lessons Learned				→				
<i>Legislative Barriers</i>								
Legislative Review/Overview			→					
LIBC Workshop/Report				→				
Guidelines for Jurisdictional Review				→	→			
Jurisdictional Approaches to Voluntary Reclamation					→	→		
<i>Funding Approaches</i>								
Funding Models Report				→				
Guidelines for Jurisdictional Review				→	→			
Jurisdictional Approaches to Funding					→	→		
<i>OAM Action Framework</i>								
Policy Framework for Reclamation Stds. (with CCME)					→	→		
Policy Framework for Federal/Provincial/Territorial Partnerships					→	→		
Guidelines for Facilitation and Coordination of Voluntary Reclamation					→	→		
Guidelines for Site Assessment					→	→		
Guidelines for Prioritization					→	→		
Implement Legislative/Policy Framework					→	→	→	
Technology Transfer - Case Studies and Best Practices Approaches for Reclamation*					→	→	→	→
<i>Funding</i>								
Advisory Committee (000s)		45	110	110	330	330	55	55
Reclamation Projects (000 000s)								
-----▶ Jurisdictional Responsibility								
-----▶ NOAMI Responsibility								

* Annual Workshops and Proceedings Publications

Cooperative Geological Mapping Strategies

Ministers agreed with industry that the acquisition and dissemination of accurate and up-to-date geoscience information is a critical element of both private and public sector decision-making.

Ministers were unanimous in their support of continuing efforts to develop strategies to foster ongoing geoscience initiatives. The Minister of Natural Resources Canada will continue to seek the funding needed to implement the federal component of the cooperative mapping strategies, while provincial and territorial ministers are willing to develop and finance their share of their own strategy adapted to their specific needs.

ISSUE

Significant progress is being made toward federal-provincial/territorial co-authorship of a 10-year implementation plan for the *Cooperative Geological Mapping Strategies Across Canada*, a framework for a renewed commitment to government geological surveys that was endorsed by Ministers in 2000 and that has as its goal maintaining Canada's competitiveness in the global market for mining investment.

BACKGROUND

In 1998, an industry-led task force reported to Mines Ministers that the geoscience knowledge provided by federal, provincial and territorial geological surveys was one of Canada's key comparative advantages in attracting investment in mineral exploration in an increasingly competitive global market. It warned, however, that this advantage had been put at risk by the protracted decline in survey funding. At the request of Ministers, the task force submitted a follow-up report in 1999 entitled *Government Geological Surveys: How Much Is Enough?*, which established a target for renewed investment in government geological surveys over a 10-year timeframe.

In response, Ministers directed the National Geological Surveys Committee (NGSC) to develop a collective strategy to achieve the target. Ministers unanimously endorsed the resulting *Cooperative Geological Mapping Strategies Across Canada* (CGMS) document in 2000 and, furthermore, undertook to seek new funding within their jurisdictions to make CGMS a reality. Although there have subsequently been some incremental funds both federally (e.g., Targeted Geoscience Initiative) and in a number of provinces and territories, it has not been possible to secure funding of the magnitude and duration necessary to achieve the target set out by the task force.

ACTIONS TAKEN

In Action Plan 2002, “Ministers were unanimous in their support of continuing efforts to develop strategies to foster ongoing support for geoscience initiatives.” Accordingly, Natural Resources Canada, through the Geological Survey of Canada (GSC), engaged its provincial and territorial counterparts in an effort to move from the statement of principles in the CGMS framework to a specific 10-year implementation plan.

By the end of May 2003, bilateral meetings to discuss CGMS had taken place between the GSC and all provincial and territorial geological surveys, as well as with agencies responsible for energy geoscience in jurisdictions where these operate independently of the surveys. This dialogue was encouraging as it highlighted broadly regional issues that could support the integration of the GSC’s role and mandate as defined in the Intergovernmental Geoscience Accord with the provincial/territorial needs as defined by individual jurisdictions.

Further discussions involving federal and provincial/territorial geoscience agencies and selected other government departments will be needed to achieve consensus on the broad outlines of the CGMS implementation plan. The intent is to finalize the implementation plan by the fall of 2004.

Another significant development has been the endorsement of CGMS by the Minister of Indian and Northern Affairs Canada (INAC) in response to a recommendation by his Industry Government Overview Committee. In May 2003, at the Northern Mines Ministers’ Conference, the INAC Minister stated that he will work with the Minister of Natural Resources Canada to secure stable, long-term funding for the northern component of the CGMS.

RECOMMENDATIONS

The *Cooperative Geological Mapping Strategies Across Canada* is viewed as an important potential contribution to ensuring that Canada’s public geoscience knowledge remains a competitive advantage in attracting investment in mineral and energy exploration and Ministers should sustain their efforts to secure the necessary long-term funding within their jurisdictions. An implementation plan that clearly demonstrates how CGMS will directly address provincial, territorial and federal priorities will support the case for new funding and NGSC members should make completion of this plan a priority.

Aboriginal-Industry Partnerships

Ministers took note of the progress made in many jurisdictions with respect to this important issue. It was recognized that mineral development activity offers an important opportunity for Aboriginal communities to benefit from associated social and economic impacts.

Ministers supported the formation of a multi-stakeholder advisory committee on Aboriginal-Industry Partnerships with strong linkages to the intergovernmental committee on Aboriginal Participation in Mining. Over the next year, the advisory committee will organize a workshop to review existing programs and best practices, identify gaps and current needs, and develop appropriate action plans that meet the needs of each province and territory.

Ministers asked for a progress report on these issues for their next conference.

BACKGROUND

Representatives of the Canadian Aboriginal Minerals Association (CAMA), The Mining Association of Canada (MAC), the Prospectors and Developers Association (PDAC), Indian and Northern Affairs Canada (INAC) and Natural Resources Canada (NRCan) met in January 2003 to discuss ways to increase Aboriginal-industry relationships and partnerships. A few options were discussed to build on or implement proposals of the report *A Focus for Action*, which was endorsed by Mines Ministers at their 2001 Conference. The report recognized that essential elements in building Aboriginal-mining industry-government mutual understanding and partnerships include open communications, community relations, information exchange and the development of communications tools.

In August 2003, an analysis was conducted by the CAMA among targeted Aboriginal communities in Canada to validate their needs for and interest in information on the mining industry. The results of the analysis concluded that Aboriginal communities were highly interested in learning about the mining industry and in receiving such information in a toolkit. The toolkit's objectives would be to strengthen the ability of Aboriginal communities to understand the mining industry and to participate in and benefit from minerals and metals activities. It would include information such as: mining industry stages, employment and job opportunities, economic and business development opportunities, existing programs and services, best practices, etc.

The toolkit should be seen as one of the steps to be undertaken as part of a process to help strengthen the dialogue and partnerships between Aboriginal people and communities, the mining industry and governments.

PROGRESS

As a next step, the partners (i.e., MAC, PDAC, CAMA, INAC, NRCan) are currently discussing ways to proceed with development of the information toolkit on mining, including the issue of securing required funding with stakeholders. Also, partners will seek the collaboration of the provinces and the territories, possibly through the Intergovernmental Working Group (IGWG) Sub-Committee on Aboriginal Participation in Mining.

The information toolkit responds to a key proposal in *A Focus for Action* on the need to build Aboriginal-industry-government mutual understanding. It is expected that the toolkit would be presented at Mines Ministers 2004 in Iqaluit, Nunavut, as part of the progress achieved to support the proposals outlined in *A Focus for Action*.

Our ability to implement the proposals in *A Focus for Action* will require that key players fully support and contribute to this process. As stated in the report and in previous decisions of Mines Ministers, provincial and territorial regional working groups could play an important role in implementing the report's proposals; in identifying existing programs and best practices, gaps and current needs; and in developing action plans that meet these needs.

RECOMMENDATIONS

It is recommended that Ministers:

- endorse the proposal to develop an information toolkit on mining for use by Aboriginal communities;
- strongly encourage their respective officials to participate in and contribute to this process, possibly through the Intergovernmental Working Group (IGWG) Sub-Committee on Aboriginal Participation in Mining; and
- pursue the implementation of the proposals in *A Focus for Action* within their respective jurisdiction, including the establishment of regional working groups and the development of partnership strategies to increase Aboriginal participation in minerals and metals activities, and report on progress at the 2004 Mines Ministers' Conference in Iqaluit, Nunavut.

International Competitiveness of the Mining Industry in Canada

Ministers share industry concerns about the competitiveness of the mining industry in Canada compared to its principal competitors on the world market. Ministers agreed in principle with a proposal to commission a study of key factors affecting competitiveness as a guide for future policy development.

Accordingly, Ministers mandated the Intergovernmental Working Group on the Mineral Industry (IGWG) to form a sub-committee to develop terms of reference for the study. Ministers emphasized that this study should be focused and practical, and asked to obtain a progress report at their next conference. Ministers accepted Manitoba's offer to facilitate the work of this sub-committee.

BACKGROUND

At the 2002 Mines Ministers' Conference in Winnipeg, Ministers discussed a variety of issues regarding competitiveness of the mining sector in Canada. A proposal was put forward to conduct an assessment of the international competitiveness of the industry in Canada. Discussion among Ministers identified a variety of perspectives on the issue resulting in a directive to the Intergovernmental Working Group on the Mineral Industry (IGWG) to form a sub-committee to develop terms of reference for such a study. Ministers emphasized that the approach should be focussed and practical, and asked to obtain a progress report at their next conference.

STATUS

A meeting of interested federal/provincial/territorial representatives was held in March 2003 to identify key components of a competitiveness study. A wide range of issues and perspectives were tabled, reflective of the wide range of industry sectors and interests represented by the various jurisdictions present. Key issues can be subdivided into three broad categories:

- Trade Issues
 - Identification of emerging market opportunities
 - Market access issues

- Investment Issues
 - Finance/taxation
 - Exchange rates

- ▶ Regulatory duplication and overlap
- ▶ Land tenure

- Infrastructure Issues
 - ▶ Geoscience database
 - ▶ Transportation facilities/capacity
 - ▶ Mineral processing/technology development/innovation

One of the challenges in addressing competitiveness across Canada is the relative impact of various issues for different industry sectors. Specific issues such as the impact of recent federal tax reform may be of greater significance to the base metals sector and not as pressing for light metals, precious metals, diamonds, potash, uranium, etc. Conversely, common issues such as regulatory overlap, land tenure and a geoscience database likely affect all sectors similarly.

Two options/approaches have been identified:

- Development of strategic approaches for each sector that maximize opportunities for sustainability and development. To date, there has been very little formal sector-specific assessment of the impacts of the range of issues on competitiveness of the industry across the country. Recently, specific attention has been focussed on providing support for the gold sector through the IGWG sub-committee on gold and on the development of a national strategy to foster the diamond industry in Canada. Consideration should be given to similar sectoral assessments of the state of the base metals sector, light metals sector, etc.

- Limit assessment to those issues that are common to all industry sectors. This would place an emphasis on issues such as regulatory overlap and land access and tenure issues, but would not address key issues that have an impact on specific industry sectors. For example, competitiveness is affected by the complexity and variability of mining legislation across Canada. One objective could be to identify key areas of concern and take steps to harmonize wherever possible, particularly when new approaches to management of mineral tenure are being considered.

Related Activities

A number of initiatives currently under way have a direct impact on or would be directly affected by undertaking a study(ies) of this nature:

Minerals and Metals Strategy for Canada

NRCan has identified three main themes, one of which is focused on Investment Climate and Industry Performance. Key areas under Investment Climate include: Competitive Fiscal Regime; Smart Regulation; Market Access; Domestic/International Business Development; and Access to Resources. A systematic evaluation of competitiveness issues on a sectoral basis would greatly assist in strategic planning and prioritization.

Impact of Kyoto on the Competitiveness of Canadian Industry

In Winnipeg, Ministers recognized the potential impacts of ratification of the Kyoto protocol and agreed with the industry proposal to form a joint government-industry study group to monitor policy development and evaluate the potential impacts of implementation on the mining sector, particularly with respect to competitiveness, regional equity, and approaches and outcomes related to negotiation of covenant agreements.

Federal Tax Reform

The Federal Budget 2003 announced changes to income taxation of the resource sector, which included repeal of the resource depletion allowance and a decrease in the corporate federal tax rate to 21%. In response to industry concerns, a joint government/industry committee was struck to analyze the impacts of recent changes to federal taxation of the resource sector.

CONCLUSION

A sector-specific approach is likely to result in more tangible and pragmatic outcomes. Common issues such as regulatory overlap and land access and tenure can continue to be addressed across sectors through directed IGWG initiatives. Sector studies should:

- Incorporate/amalgamate outcomes and considerations of ongoing processes aimed at assessing key common issues that have an impact on the competitiveness of the industry;
- Include consideration of key sector-specific issues that have an impact on the competitiveness as identified above and include identification of strengths, weaknesses, challenges and opportunities for each sector; and
- Include development of strategic plans that are sector focused and practical.

Approaches

- Independent external assessment, facilitated by the Conference Board of Canada (or similar entity) and jointly funded by participating jurisdictions;
- F/P/T study groups to manage specific projects, funded by participating jurisdictions.

RECOMMENDATIONS

Building on initiatives currently in place and in keeping with direction provided by the Premiers of the provinces and territories, it is recommended that a sectoral priority continue to be development of a

national strategy that maximizes the benefits to Canadians from all stages of the emerging diamond industry. In addition, consideration should be given to initiating a systematic sectoral-based assessment of issues that have an impact on the competitiveness of mining in Canada. In addition, Ministers should give consideration to directing IGWG, through the Directors of the Mines Sub-Committee and in consultation with the mining industry, to undertake a review of F/P/T mining legislation with a view to harmonization and simplification wherever possible.

Implementation of Climate Change Policies

In light of the announcement by the Government of Canada of its intention to ratify the Kyoto protocol, Ministers agreed at the 2002 conference with an industry proposal to form a joint government-industry study group to monitor policy development and evaluate potential impacts of implementation on the mining sector, particularly with respect to competitiveness, regional equity and innovation.

Ministers asked to obtain a progress report at their next conference.

BACKGROUND

The federal government released in November of 2002 the Climate Change Plan for Canada. The Plan outlines the framework for Canada to address climate change, and this includes setting emission intensity targets for large industrial emitters through covenants with a legislative backstop.

Early this year, the federal government, led by the Large Industrial Emitters Group (LIEG) of NRCan, began negotiations on covenants with large industrial emitters. Several industry associations, including The Mining Association of Canada, have established climate change committees with members to act as a focal point for these discussions. LIEG has been in contact with representatives of most identified large emitters to discuss the implementation of the large industrial emitter component of the Climate Change Plan. Setting emission reduction targets will require analysis and consideration of the competitiveness implications for large industrial emitters. These negotiations are expected to continue over the next year.

STATUS

Information on minerals and metals aspects of climate change implementation has been exchanged among companies, industry associations and governments. Discussions on formalizing the establishment of the joint government-industry study group are under way.

RECOMMENDATION

IGWG recommends that work continue to be conducted through existing fora and report back to IGWG when appropriate.

Growth and Diversification of the Diamond Industry

Ministers examined opportunities and specific considerations related to the development of the diamond industry in Canada.

While generally supportive of the Kimberley process, Ministers also recognize the need to develop cooperative strategies to maximize value and benefits from all stages (including geoscience, mining, and value added) for Canadians from the emerging diamond industry, including programs that enhance the opportunity for development of secondary industry in local communities. Ministers appreciated the requirement for flexibility in implementing strategies and regulations that meet specific provincial and territorial concerns.

Mines Ministers asked that an intergovernmental coordinating committee be formed from representatives of all interested jurisdictions under the auspices of IGWG, with a mandate to share information, assure full consultation, and coordinate efforts related to the Kimberley Process and the cooperative strategies.

BACKGROUND

By the end of the decade, Canada will be the third largest producer of rough diamonds in the world with at least four operating diamond mines. Emerging issues related to the growth of this industry will be addressed in a province/territory-led national diamond strategy to maximize the economic and social benefits of all stages of the diamond industry for Canadians.

In the late 1990s, a threat to human security and the strength of the diamond industry worldwide was identified: the use of rough diamonds in a number of African countries for financing armed conflicts and concomitant human rights atrocities. At that time, the potential for an embargo on purchases of diamonds by an outraged public helped convince the diamond-producing countries to take the initiative to eliminate the conflict diamonds from international trade. The Kimberley Process Certification Scheme (KPCS) has been implemented internationally to meet that challenge. Today, the only remaining conflict diamond war is in the Democratic Republic of Congo – all other diamond-financed conflicts have been settled. The Minister of Natural Resources is responsible for delivery of the KPCS in Canada.

At the 2002 Mines Ministers' Conference, Ministers examined opportunities and specific considerations related to the development of the diamond industry in Canada.

While generally supportive of the Kimberley Process, Ministers also recognized the need to develop cooperative strategies to maximize value and benefits from all stages (including geoscience, mining, and value added) for Canadians from the emerging diamond industry, including programs that enhance the opportunity for development of secondary industry in local communities. Ministers appreciated the requirement for flexibility in implementing strategies and regulations that meet specific provincial and territorial concerns.

Mines Ministers asked that an intergovernmental coordinating committee be formed from representatives of all interested jurisdictions under the auspices of IGWG with a mandate to share information, assure full consultation, and coordinate efforts related to the Kimberley Process and the cooperative strategies.

ACTIONS TAKEN

On March 12, 2003, federal, provincial and territorial representatives met as a steering committee to organize a Diamond Industry Roundtable that would address the issues raised by the Mines Ministers. At that time, and in subsequent meetings, the steering committee drafted the program, chose the subjects and speakers for presentations, determined the topics for breakout sessions, and advised NRCan on a list of people to be invited to the Roundtable.

Minister Dhaliwal held The National Roundtable on Canada's Diamond Industry: Economic and Social Contribution to 2015 in Edmonton on May 20 and 21, 2003. The Roundtable attracted about 140 participants who met for one and a half days, including a half day of breakout sessions. There were seven breakout sessions organized for the Roundtable with conclusions and recommendations reported separately. In reports to the plenary session they provided recommendations to:

- increase cooperation among governments and industry to develop a skilled labour force;
- increase Aboriginal business capacity;
- ensure the coordination, harmonization and financing of activities to build sustainable communities;
- encourage industry growth through changes to the existing tax structure;
- encourage cooperation to maintain the integrity of the industry;
- assess infrastructure needs in remote northern areas; and
- take advantage of opportunities to market Canadian diamonds and industry expertise.

A recommendation to eliminate the excise tax on jewellery was arrived at independently by two of the breakout groups. After the Roundtable, Minister Dhaliwal followed up on that recommendation by writing to his colleague the Minister of Finance.

Indian and Northern Affairs Canada (INAC) will invite all interested stakeholders to participate in a knowledge study on the emerging Canadian diamond industry, focussing on the role of diamonds in the Canadian economy and Canada's future as a diamond-producing nation. The study will be designed to assist new jurisdictions as diamond production becomes a reality and will be a resource for parties interested in entering the diamond industry. It will cover priority issues identified at the Diamond Roundtable, including security, valuation, labour force development, marketing of diamonds, growth of the allied industries, and financing and opportunities for Aboriginal employment and business development.

The provinces and territories, led by the GNWT, are preparing a national diamond strategy that may be presented at MMC in September 2003. NRCan is working with other federal government departments, including INAC and central agencies, to follow up on the recommendations from the Diamond Roundtable in May 2003.

RECOMMENDATIONS

It is recommended that:

- A second Diamond Roundtable, as proposed by Minister Antoine of the GNWT, be organized to report progress on activities recommended in the report on the Diamond Industry Roundtable and to continue dialogue with industry and other stakeholders.

Metal Recycling Opportunities

Ministers acknowledged direct links between development of the recycling industry, innovation and technology development, and sustainable development, citing the fact that the recycling industry currently comprises more than 3500 companies directly employing more than 15 000 persons in Canada. Recognizing the key role of metals recycling to the sustainable development of mining in Canada, Ministers agreed on the need to provide appropriate regulations to facilitate international movement of recyclable materials while protecting the environment.

Accordingly, Ministers asked that a joint industry-government working group be formed, facilitated by New Brunswick and NRCan, to share information and concerns, and propose appropriate actions. Considering the importance of this issue for many communities, Ministers asked for a report at their next conference.

ISSUE

Canada is amending the Export and Import of Hazardous Waste Regulations, which Canadian companies maintain cause significant difficulties in accessing recyclable materials.

BACKGROUND

The Export and Import of Hazardous Waste Regulations (EIHWR), in place since 1992, were designed to implement international agreements setting out conditions for shipments of hazardous wastes across Canadian borders.

The EIHWR legally consider recyclable materials to be “wastes” and regulate them according to “hazard.” Recyclable materials that exhibit a hazard characteristic require management, not as dangerous goods, but as equivalent or similar to hazardous wastes destined for final disposal.

In 1996, the Government of Canada published a Minerals and Metals (M&M) Policy recognizing recyclable metals as valuable resources that should not be defined as “wastes.” The M&M Policy advocated a risk-based management approach for these resource materials. Amendments in 1999 to the *Canadian Environmental Protection Act* (CEPA) partially implemented the M&M Policy by redefining the term “waste” to exclude recyclable materials. This CEPA amendment offers the potential to regulate recyclable materials differently from wastes in the EIHWR. The EIHWR are now being amended. Amendments are expected to be Gazetted in December 2003.

CONSIDERATIONS

Canadian industry maintains that the EIHWR requirements place it at an economic disadvantage to its major competitors in the United States. Regulations equivalent or similar to hazardous wastes place additional financial burdens on Canada's industry in terms of insurance requirements, paper burdens and transportation costs. Industry maintains it loses access to significant volumes of recyclable resources due to permitting delays, refusal of foreign exporters to sign a Canadian hazardous waste manifest, and the negative stigma associated with classification as a hazardous waste. Canadian government officials have been informed that the continued viability of several Canadian metallurgical facilities is in jeopardy if access to U.S.-based recyclable resources is not improved.

The United States has not ratified the Basel Convention and, over the past 10 years, has progressively exempted most hazardous recyclable materials from regulatory control in efforts to enhance and increase recycling activities.

RECOMMENDATIONS

It is recommended that provincial ministers express their support to federal ministers to regulate recyclable materials according to the "risk" they present to human health and the environment. A risk-based approach to regulatory management would more closely harmonize Canada's regulatory regime with that of our largest trade partner, the United States, by eliminating hazardous waste regulatory controls for low-risk recyclable materials and to reduce, as much as possible, the regulatory burdens associated with the management of all hazardous recyclable materials.