MiningWatch Canada
Mines Alerte

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Thank you for this opportunity to present the concerns of our members to Mines Ministers.

MiningWatch Canada is a coalition of twenty different organizations that works to support communities affected by mining, to do research about issues pertaining to mining, environment, and health, and to advocate for responsible mining practices. Our work deals with mining in Canada and with Canadian mining companies operating internationally.

Our members are Bathurst Sustainable Development, Bedford Mining Alert, the Canadian Arctic Resources Committee (CARC), the Canadian Auto Workers (CAW) Social Justice Fund, the Canadian Environmental Law Association (CELA), the Canadian Parks and Wilderness Society (CPAWS), the Citizens' Mining Council of Newfoundland, Development and Peace, the Environmental Mining Council of British Columbia (EMCBC), Friends of the Earth Canada, the Innu Nation, Inter Pares, Kairos (a coalition of churches), Nature Canada, Northwatch, the Sierra Club of Canada, the Steelworkers Humanity Fund, Solidarite Union Cooperation (SUCO), Transboundary Watershed Alliance, and the Yukon Conservation Society (YCS)

We were formed in 1999 because these diverse organizations saw the urgent need for a co-ordinated public interest response to the powerful mining interests that lobby to undermine the regulation of mining in Canada and by Canadian companies operating internationally.

We work by:

- supporting communities affected by mining through research, technical assistance, the review of technical documents, capacity building, meetings and exchanges, and campaigning.
- carrying out major, academically-credible research projects on issues that our members and the communities bring to us, such as abandoned mines and mine closure, the full costs of mining to the public purse, health impacts of mining on communities, issues of mining in remote areas, or in the boreal, submarine tailings disposal.
- Advocating for changes to law and policy that enable irresponsible mining in Canada and by Canadian companies operating internationally.
- Working with coalitions and with allies, submitting briefs to government and participating in government-lead multi-stakeholder consultations.

Our work over the last seven years has enabled us to identify a number of issues that need to be addressed if mining in Canada is to be conducted responsibly. These issues are:

- ***Ensure that the constitution is respected and Aboriginal rights protected*** with regard to mineral development, and the access by mining interests to Aboriginal territories. There are increasing conflicts between Aboriginal governments and communities and mining companies over the use of Aboriginal lands. Supreme Court decisions such as Mikisew, Musqueam and Haida-Taku make it clear that the Aboriginal peoples must be consulted and their interests accommodated before any third party interest is created on lands of their traditional use or interest. Mineral claim staking is the moment at which the third party interest is created.

- ***Prevent the depletion of our mineral resources through staged mineral extraction.*** We need to be concerned about depletion of mineral reserves in Canada and in other parts of the world, and protection of natural capital and the services provided to us by nature. High commodity prices are resulting in the irresponsible pillaging of mineral resources, with no regard to the needs of future generations. Staging the mines that come on stream will ensure resources for future generations, the long-term survival of mining communities, adequate supplies of labour and equipment for developing mines, and balanced economic development.

- ***Shift taxes and subsidies away from prospecting for new ore bodies to research and development of re-cycling and conservation***. If we properly respect the ecological, cultural and social price of mineral production, we will re-use, recycle and conserve mineral products as long as we can. Investment in product stewardship will also ensure long-term jobs in mining communities, use less energy and water and provide a greater return to governments. The latest report from the OECD supports this tax shift, and there is one small part of NRCAN that investigates it. At present, workers in smelters have a number of concerns about health and safety hazards associated with recycling because there is not enough knowledge, enforcement or controls. Key points of entry: no renewal of flow through shares; provide a re-cycling innovation program through Industry Canada; provide more resources to the NRCAN recycling program; provide incentives to economic development opportunities in recycling in mining dependent communities.

- ***Ensure that Canadians benefit from Canadian mineral resources and get a return on the investment they make for subsidies to the industry***. In Canada, our four biggest diamond projects – Ekati, Diavik, Snap Lake, and Victor are all owned by companies outside Canada. Companies like Glamis and Ivanhoe have no directors in Canada and no real office here, but are considered Canadian for tax purposes. Our taxes on mining companies are lower than the US, and – in 1997, the last year for which data was available – the federal government received less than $251 million in mining taxes. With higher commodity prices and the resulting profits, companies have been paying federal and provincial taxes, but there is a real question about whether these taxes adequately compensate for the permanent loss of natural valuable mineral resources, lost opportunity costs, the remediation of contaminated abandoned sites and the infrastructure and training investments to support the mines.

- ***Control Canadian mining companies operating abroad through legislation at home.*** Canadian mining companies operating in the Third World are often predatory in terms of local economies and resource rents, indigenous and traditional rights, and the environment. Mines with a less than savory track record: Barrick Gold in Tanzania, Glamis and Skye Resources in Guatemala, Cambior in French Guiana, TVI in the Philippines, Bogoso in Ghana, Gabriel Resources in Romania, INCO in New Caledonia, Ivanhoe in Burma, and First

Quantum, Kinross, Anvil, and others in the Congo. The federal government and some provincial governments facilitate some of the most egregious mine projects through contacts, incentives to the host country and representations to financial institutions and businesses. This support has to be contingent upon proven human rights and environmental performance. After the Parliamentary Standing Committee on Foreign Affairs unanimously recommended the regulation of Canadian mining companies operating internationally, the federal government set up a series of roundtables to investigate the regulation of Canadian companies abroad.

- ***Provide adequate environmental and human rights controls on mine financing institutions such as Export Development Canada and the World Bank, and on mining investment.*** The EDC and World Bank enable some of the most egregious mining projects to take place, and the screens are not adequate.

Beginning in the 1990s, multilateral institutions led by the World Bank began the re-writing over 100 mining codes in developing countries. The goals included the removal of national control over capital movement, privatization and the severance of mineral rights from surface rights. According to a Department of Foreign Affairs analysis document, Canada has been present on World Bank teams contributing to "capacity building relating to various aspects of mining governance, particularly with respect to taxation and the distribution of the benefits from mining, Indigenous peoples' rights and land ownership."

Meanwhile, the EDC provides public money for mine development and political risk insurance. In 2003 alone, EDC's Mining and Infrastructure team paid out more than $2.3 billion. EDC has recently underwritten the Antamina Mine in Peru, the Alumbrera smelter in Argentina, the Mozal smelter in Mozambique, Collahuasi Mine in Chile, Bulyanhulu Mine in Tanzania, and the Gros Rosebel gold mine in Suriname.

The Securities and Exchange Commissions should require as much diligence about human rights and the environment as it does about mineral reserves.

- ***Clean up abandoned mines and prevent their occurrence with adequate mine reclamation and closure policy including " polluter pays" and full reclamation bonding on mines (in Canada and abroad).*** The $3.5 billion allocated by the federal government a few years ago for contaminated sites has effectively left the polluters – who made the profits – off the hook, although recent court decisions indicate that the historic polluters would be forced to pay if taken to court. At key federal abandoned mines like Port Radium, Giant, Faro, Colomac, Con, Ketza, Mt. Nansen, the tax payer is paying for the clean-up. There is no policy or program to priorize the clean-up of sites of shared jurisdiction such as Lorado (Uranium City), Britannia, Devco Mines in Nova Scotia, or for sites on lands of Aboriginal use and interest. Most reclamation bonding schemes are still discretionary. In Ontario, Inco and Falconbridge operations in Timmins and Sudbury are self-assured.

- ***Ensure that all new mines receive a full Environmental Assessment.*** With devolution in the North, and harmonization agreements, the role of CEAA in properly evaluating mining projects has been greatly diminished. In the past few years, we have seen enormous projects like the Victor Diamond Mine to be found to have "no significant environmental effects". A Declaration Order from the Province exempted it (and other mines) from provincial Environmental Assessment. Red Chris in BC only received a federal screening despite taking important fish habitat for tailings disposal. Pine Cove in Newfoundland and Raglan South in Quebec have only received federal and provincial screenings. The Prairie Creek mine is being permitted through a series of EAs for roads, drill holes and ramps, with no opportunity to review the entire project. Other projects are approved with "mitigation" measures that may or may not be included in permits and are rarely followed up. This is particularly true of Fisheries Letters of Authorization, which are often based on inadequate science, or ignore the science that is there. DFO itself admits that it has no idea of the success of habitat compensation measures over the long term (eg. diamond mines in the NWT). In addition, there is a demonstrated lack of commitment to public participation in Environmental Assessment.

- ***Ensure that water bodies and fish habitat are protected***. The recent proposed Metal Mining Effluent Regulation amendments are deficient in many ways, but most notably in the taking of more fish-bearing water bodies for tailings disposal through addition to Schedule 2. It is our understanding that there are at least 13 other mines that expect to use fish-bearing waters for tailings dumps. We think this is a short-sighted approach to natural resources, and that it is unacceptable ecologically.

- ***Ensure that the impacts of uranium mines (and their closure) are properly evaluated.*** Nowhere is the lack of adequate environmental assessment more obvious than with uranium mines. The CNSC (which reports to the Minister of Natural Resources) has been systematically avoiding full Environmental Assessment of projects. No environmental assessment was undertaken to study the impacts of breaching the Collins Bay dyke at Wollaston Lake. The redesigned Cogema McLean Lake Jeb uranium tailings pit, also in Northern Saskatchewan, was approved without a new EA. Cluff Lake was decommissioned without proper public participation in the Comprehensive Study. Even the community role in monitoring closed sites has been undercut with the closure of the Elliot Lake Field Research station this year.

- ***Insist on the public right to know about the dangers from mine wastes.*** Mining's releases of CEPA toxics to tailings dumps and waste rock have not been included in the National Pollutant Release Inventory. With the end of the "Mining Exemption" in February 2006, mines should be reporting this year, although we understand that there is a strong lobby to avoid this. Even when companies do report, we will still not have information about what has accumulated in these tailings ponds and waste rock dumps. (As an example, Kidd Creek has 64 square miles of tailings).

- ***Stop the promotion and use of chrysotile asbestos in Canada, and end Canada's opposition to including it in the Rotterdam Convention on Prior Informed Consent.*** The federal government is the key lobby for the Asbestos Industry and provides over $250,000 a year to the Chrysotile Institute for their operations. It also promotes a federal directive promoting the use of "non-friable asbestos" by the Department of Public Works. Chrysotile is a known carcinogen. Chrysotile and other forms of asbestos continue to endanger construction and renovation workers, mine and smelter workers, communities around the mines, and purchasers overseas, because we are unwilling to support "just transition" and alternative community economic development programs for workers in asbestos mining areas of Quebec.

Background Comments: the Myths about Mining

Over the seven years of our existence, we have extensively researched the industry and have heard many stories from mining impacted communities. We have come to believe that this industry is propped up by a number of myths, that don't stand up to close scrutiny.

First, the myth that mining is always about the extraction of minerals. A great deal of mining is not about the extraction of minerals at all. Most junior mining companies are only interested in floating large share offerings to investors so that they can attract enough equity to pay themselves salaries in the $200-300,000 range. For the stockbrokers who underwrite and sell the shares, it is about brokerage fees and selling at the appropriate time. Investors are interested in speculating on the stocks, but the "flow through share provisions" of the Income Tax Acts – both federally and provincially – enable them to write off companies' losses as their own. As a further incentive, companies can accumulate their exploration and development expenses in tax pools that can be transferred and sold. When the owner of the Giant Mine was going belly up, the Canadian Exploration and Development tax pool that the company had accumulated was such a large "tax asset" that the receivers opted to sell the company for the pool, rather than institute bankruptcy proceedings. Where withdrawal for a park is contemplated, the company may be more interested in compensation for their claims than in bringing the mine to development.

Companies may not be intending to bring a mine to development at all: they may only be interested in hyping the prospective find, building up their exploration and development claims, establishing a compensation demand and paying themselves handsomely for doing it.

Second, the myth that mining has a small footprint. It does not; it is not just a small hole or tunnel in the ground that is easily cleaned up afterward. In addition to the mine, there is usually a mill, tailings (rock that is ground up to extract the ore, usually mixed with chemical reagents), overburden and waste rock, roads and or railroads and power lines. Most of its waste rock and tailings are toxic, leaching heavy metals and sulphuric acid into water, air and soil. Over 1 billion tones of waste rock and 950,000 tonnes of tailings are produced annually by the industry, more than 20 times the amount of municipal solid waste generated annually. One gold wedding band leaves behind between 6-20 tonnes of waste rock and tailings, depending on the grade of the ore. The Kidd Creek zinc and copper mine has over 64 sq. miles of tailings.

Mining is a major user of water. Water is pumped from open pits and underground to "dewater" them to allow mining to proceed. Water is used to wash the ore and in milling and refining processes. Water is used to slurry tailings from the mill to tailings management areas, and is frequently used as a water cover for acid-generating tailings. Clean water goes in, and a lesser amount of contaminated water is discharged, often to a different water system. Often entire lakes are destroyed to make way for a mine. In a survey of water taking permits in one district in northeastern Ontario, 77% of the permits issued within one year were for mining purposes. Not all the permits included limits for the amount of water used, but, of those that did, average water taking was 6.4 million litres per day. North American Palladium has a permit to take water at a rate of 30 million litres per day, for a period of five years. At a national level, the mining and metal sector consumes over 2 billion cubic metres of water annually, most of this free of charge.

Mining companies are also major contributors to climate change, because of their extensive use of energy for extraction and refining.[1] For example, a tonne of aluminium produces four tonnes of

[1] Action plan on Climate Change 2000 annual report.

Green House Gases and a tonne of steel produces 0.8 tonnes of GHG's. At least 8% of all energy used in Canada is for mining, milling and smelting.

Third, the myth that communities are eager to have mining. Everyone does NOT welcome mining into their communities. The mining industry calls this "its social licence to operate". In many parts of the country, Aboriginal communities are challenging the right of companies to stake their lands without "free, prior, informed, consent". Staking is the moment when the "third party interest" is created and the mining company becomes a "stakeholder". One has to ask how a company that wants to dig a hole on your land for its private profit, gets to be a stakeholder, when even the owner(s) – who may have lived there for generations – are not?

The catch is, that once you have agreed to a consultation, it becomes almost impossible to say "no". You are reduced to negotiating the terms on which the mine will proceed.

Mining companies spend enormous amounts on gaining access to the minerals under our feet. They hire public relations people and government relations experts. They lobby for changes to law and regulations. They undermine enforcement and cultivate community insiders. In communities, they hire leaders for small contracts and jobs; they spread rumours about their critics; they make offers of future riches. They create divisions within communities. Internationally, they hire firms like Burson Marstellar to promote their image.

Fourth, the myth that government will protect us, and that there are laws and regulations in place to do this. Although some legislation looks like it will protect us, in fact, the devil is in the details and it can't or won't. CEPA toxins in mining wastes disposed of in tailings and waste rock dumps have historically not been included in the National Pollutant Release Inventory. The Metal Mining Effluent Regulations under the Fisheries Act provide a licence to pollute even though the Act says that no one shall put "any deleterious substances water frequented by fish". Fish habitat is destroyed for mines with compensation plans that are not even monitored. The Planning Policy in Ontario sterilizes land with significant mineral potential from other kinds of development. Environmental Assessment always lets mines proceed with appropriate "mitigation measures", but the mitigation measures are often not monitored. In Ontario, a repeatedly re-newed "Declaration Order" exempts mines from Environmental Assessment. Communities trying to get clean-ups from the toxics left behind after a mine closes, usually find themselves unable to do so.

Fifth, the myth that the economic benefits from mining justify the disruption. This is less and less true.

- At present in Canada, less than 23,400 people are actually employed in metal mining and milling, and the number is shrinking. Mineral employment is actually to be found in the "multiplier effect": supply and services to mining, and in refining and manufacturing. Many of these jobs and contracts would still be there – and in fact might be more sustainable and numerous – if we reused and recycled metals and lessened our mining dependency - instead of mining virgin territory.
- Most mines only last 10-15 years, and the communities that have come to depend on them then seek to enlarge the mine's footprint by finding new ore bodies. Many of them become ghost towns. High commodity prices currently are leading to more and more marginal mines being brought to production. When these prices fall, we will be faces with a rash of bankruptcies and suffering mining communities.
- The effective rate of mining taxation federally in Canada is only 6% - the lowest of any sector. In 1997, the last year for which disaggregated statistics were available, mining companies only paid $251 million in federal taxes and $147 million in taxes to all the

provinces. Figures that we are given for 2004, include mineral fuels, pits and quarries and are not disaggregated.

- Federal subsidies to the metal mining industry alone were over $510 million annually in 2001, and did not include the cost of remediating over 10,000 abandoned mines they have left behind , estimated at well over $1 billion.

Sixth, the myth that we need more raw minerals.
Many of our mineral needs could be taken care of with conservation, recycling and re-use. The properties of metal provide a unique advantage for its reuse. Unlike other recycled materials, such as plastic and paper, metals are eminently and repeatedly recyclable without degradation of their properties. Metal from secondary sources is just as good as metal from primary sources.

Also, the environmental benefits of recycling are immense. As one example, the following are energy savings in metal production as a result of using secondary materials: Zn – 60%, Steel – 74%, Cu – 85%, Al – 95%. For steel, one sees a 90% virgin materials savings, an 86% emission reduction, a 40% effluent reduction, a 76% water pollution reduction and a 97% mining waste reduction through recycling.[2] Of course, many of these benefits also convert into substantial economic savings for producers.

The increasing cost of land-filling and the decreasing grade of mineral reserves provide further incentives for increasing our rates of metals recycling. Recycling creates many more jobs than does land-filling and waste disposal.

A 1999 study by the Institute for Fiscal Studies concluded that our tax system "significantly favours the use of virgin materials rather than recycled materials in the case of metal and glass products".[3] This was further to a 1995 report prepared for the Canadian Council of Ministers of Environment (CCME) that found tax expenditures provided by the federal and provincial governments provided a bias against recycling.

Thank you for this opportunity to put our views before Mines Ministers.

Respectfully submitted,

Joan Kuyek

Dr. Joan Kuyek, National Co-ordinator

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[2] U.S. Institute of Scrap Recycling Industries

[3] K. Scharf, "Tax Incentives for Extraction and Recycling of Basic Materials in Canada", Fiscal Studies, 20(4), pp.451-477, 1999.