ASSOCIATION OF CONSULTING ENGINEERING COMPANIES | CANADA
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ENCOURAGING RESOURCE DEVELOPMENT IN NORTHERN CANADA

Issue

A recent study entitled *Levelling the Playing Field* (May 2015) was produced by the Mining Association of Canada, the Prospectors & Developers Association of Canada, the Association of Consulting Engineering Companies - Canada, the NWT & Nunavut Chamber of Mines, and the Yukon Chamber of Mines. The study (previously circulated to Members of Parliament and government officials) confirms the importance of infrastructure as the key to opening up northern regions to allow mineral exploration and mining development. To operate, mines need ports, power, permanent roads, people, and much more. Unlike many of their southern counterparts, companies looking to invest in these remote areas need to factor in costly, but essential, infrastructure. Among the report's findings:

- For base metal mines, capital costs were 2.5 times higher compared to an equivalent mine in a centrally-located jurisdiction.
- For gold mines, capital costs were doubly more expensive.
- For diamond mines in the territories, capital costs were 15-20% higher.
- 70% of the cost increase is directly related to the lack of infrastructure.
- Exploration costs varied directly with distance from transportation infrastructure, with the most remote project costing six times that of the least remote project.

There is significant promise for responsible mineral development in the territories and northern parts of our provinces. In many instances, mining offers the only meaningful opportunity for jobs and revenues for governments. What this study underscores is that strategic government investments, either through direct infrastructure investment or the tax system, are a prerequisite to stimulating any meaningful increase in new investment.

Recommendations

- A new and enhanced federal Mineral Exploration Tax Credit (METC) for projects in remote and northern parts of Canada at 25% versus the current 15%, as well as financial incentives to make the costs of drilling for early-stage exploration projects more economically feasible.
- A base 10% investment tax credit, in addition to either: 1) a 15% investment tax credit for eligible infrastructure, or 2) a pardonable 25% conditionally repayable contribution for infrastructure investments. Flexibility is needed to enhance the project economics for companies in both taxable and tax limited positions.
- Establishment of a northern infrastructure investment bank in the territories for mine-related infrastructure that generates public benefits, but does not meet the "public use" criterion of existing federal programs.