

CAMECO CORPORATION PRE-BUDGET SUBMISSION TO THE 2017-18 FEDERAL BUDGET



EXECUTIVE SUMMARY

As one of the country's leading sustainable resource developers, Canada's largest industrial employer of Aboriginal people, and a major contributor to low-carbon technologies to combat climate change, Cameco is pleased to provide our input to the federal government's pre-budget consultation process.

Cameco is one of the world's largest producers of uranium for nuclear energy, accounting for 18% of total global production. We also process uranium and manufacture other products along the nuclear value chain. These products are used domestically and exported globally, delivering significant returns for the country's economy and providing good quality jobs, particularly for Indigenous residents living in northern Saskatchewan.

Cameco encourages the government to use the 2017-18 Federal Budget to focus on the following priority areas that would create the conditions necessary for ongoing growth and prosperity for all Canadians:

- Socio-economic development for Indigenous communities
- Infrastructure investments in remote northern regions
- Rational regulatory approval processes that facilitate sustainable resource development
- Trade promotion in emerging markets
- Nuclear energy's role in a low-carbon economy

SOCIO-ECONOMIC DEVELOPMENT FOR INDIGENOUS COMMUNITIES

Indigenous engagement and employment has been a priority for Cameco since our company was formed in 1988. Cameco's success as a resource company is directly attributable to the long-term positive partnerships we have built with the First Nations and Métis communities where we operate, particularly in northern Saskatchewan.

Today we are proud to be Canada's largest industrial employer of Aboriginal people, with nearly one-third of our total Canadian workforce being comprised of individuals of First Nations or Métis heritage.

Cameco's Indigenous partnerships are a leading example of how the private sector can engage directly with local stakeholders to ensure that a company's success and a community's success are intertwined. We believe our path to relationship-building with our First Nations and Métis partners sets a terrific standard that other resource companies and sectors could emulate to improve interactions with their own Aboriginal stakeholders.

These partnerships have led to over 70 percent of the goods and services we use at our operations in northern Saskatchewan being procured from northern/Aboriginal owned businesses, totalling more than \$3 billion in the past decade.

Despite these successes, we know that more needs to be done to ensure that Indigenous people have opportunities close to home that open the door to further socio-economic development – including educational opportunities. As a company, Cameco has made investments to help improve K-12 and post-secondary prospects for residents of northern Saskatchewan. These include funding to support the Credenda northern satellite learning initiative in Prince Albert, the Northern Career Quest job skills program, the International Centre for Northern Governance and Development at the University of Saskatchewan, and Northlands College in La Ronge.

However, the enormity of the challenges in northern and Aboriginal education are far beyond the capacity – and the responsibility – of our company to fix. Governments need to play a major role in closing the gap. Cameco therefore strongly encourages ongoing, increased federal funding and policy support in this priority area.

Resource development is often cited as the best way to improve the socio-economic situation for Indigenous Canadians – yet the regulatory review process for natural resource projects in Canada seems to be growing more cumbersome and less likely to lead to a clear approval. This trend is concerning. For the fiscal wellbeing of the country and the socio-economic future of Indigenous Canadians, regulators and governments need to foster a system that can ultimately enable sustainable development to occur in Canada.

One of the most direct ways for the government to advance its policy objectives is to facilitate natural resource projects in Canada's north where these projects have the support of local communities. Changes to Canada's regulatory approach need to reflect this reality.

Cameco supports further investments in Canada's north that will improve opportunities for Indigenous people to live at home and access educational and economic opportunities; as well as a policy framework that facilitates private sector investment in new resource projects that can tap into the expertise of Indigenous Canadians.

INFRASTRUCTURE INVESTMENTS IN REMOTE NORTHERN REGIONS

The majority of Cameco's mining and milling operations are situated in northern Saskatchewan. Because of the remote location of these facilities and the general lack of supporting infrastructure (transportation, aviation, electricity, telephony etc.), our costs of doing business are considerably higher, putting Cameco at a disadvantage relative to our global competitors.

Today all of Canada's uranium mining and milling operations are serviced by three north-south gravel roads that connect Saskatchewan's north to the rest of the province. Some of the communities with which Cameco maintains partnerships are only accessible via barge or plane in summer and ice road in winter. Changing climate conditions are reducing the reliability of the winter roads that are a vital lifeline for these communities to receive supplies.

Improved infrastructure as a result of increased federal investment in northern roadways, community airstrips, electricity infrastructure and telephony (including broadband access) would increase opportunities for development in the north and result in significant economic and social benefits for all Canadians.

RATIONAL REGULATORY PROCESSES THAT FACILITATE DEVELOPMENT

Cameco was ranked as "Canada's most sustainable company" in a recent international analysis conducted by the Corporate Knights organization. In order for a company like ours to maintain its position as a Canadian champion in a globally competitive industry, we know it is imperative for Canada to have in place processes and systems that facilitate the sustainable development of our abundant natural resources.

Canada's resource wealth has long been a major driver of the country's financial health, socio-economic well-being and job creation efforts. Our present fiscal challenges serve as a reminder of the impact on Canadians when this important sector is not firing on all cylinders.

The current depressed state of the uranium market mirrors the situation for most other commodities. The spot price of uranium today has sunk to roughly \$26/lb., about half of what it was five years ago. While the uranium industry does not garner as much attention as the oil and gas sector, the impact of lower prices for a longer period of time similarly result in reduced employment, investment and exploration. Cameco's recent decision to place our Rabbit Lake operation in "care and maintenance" mode is a reflection of market realities. Coupled with growing regulatory uncertainty, it is difficult to see a path forward for increased uranium development in Canada.

But Canadians must also have confidence that economic factors do not trump environmental or social considerations when it comes to development. With a foot in both the resource sector and the nuclear energy sector, Cameco operates under an extremely robust and thorough

regulatory regime. We welcome this high degree of environmental oversight, since it helps to assure the communities where we maintain a presence that our operations are safe and responsible.

The federal government has recently launched a process to review the *Canadian Environmental Assessment Act* (CEAA). This process will also include a review of changes made by the previous government to the *Fisheries Act* and the *Navigation Protection Act*. At some point in the near future, a statutory review of the *Species at Risk Act* will also start.

Cameco is supportive of the federal government's commitment to ensure that a fair and balanced regulatory framework is in place in Canada, with specific emphases on scientific evidence and efficiency of process. Our recent regulatory experience involving the Woodland Caribou Recovery Strategy under the *Species at Risk Act* suggests that considerable work remains to be done in this area.

The example in question resulted in Cameco shelving a major mine development project – despite solid support from local Indigenous communities – and left us with no certainty as to what the regulatory requirements are for development in northern Saskatchewan going forward. This poses a serious problem for a region that is already one of the most socio-economically disadvantaged in Canada.

Canada's economic prosperity is to a significant extent linked to our ability to responsibly and sustainably develop and export our abundant natural resources and value-added products. The 2017-18 Federal Budget should include measures that facilitate the economic contributions made by resource projects.

TRADE PROMOTION IN EMERGING MARKETS

Canada is a proven and reliable supplier of resources, energy and energy-related products that are used both domestically and internationally. Canada's nuclear industry is positioned to be a world leader in this sector for decades to come.

In recent years, Cameco finalized sizeable uranium supply agreements with two Chinese utilities and our first-ever sales contract with India. These multi-year deals constitute a major achievement for our company – and for Canada.

Commercial trade with China and India, like many developing economies, is considerably different than with Canada's traditional export markets like the United States and Western Europe. Government-to-government relationships are incredibly important to getting business done in these countries. The degree of state involvement in many sectors of their economies only serves to reinforce this reality.

Cameco supports the government's approach to enhancing trade opportunities in emerging markets for Canadian businesses. We encourage the federal government to continue to build Canada's bilateral and multi-lateral relationships with important markets, including through high-level trade missions.

However, a targeted strategy for Canada's nuclear industry to promote nuclear trade and investment with developing nations – particularly China and India, given their ambitious plans to build new reactors to meet their growing electricity demand – would also be extremely beneficial.

NUCLEAR ENERGY'S ROLE IN A LOW-CARBON ECONOMY

Canada's nuclear sector remains a global leader in uranium production, technological innovation and electricity generation. Cameco was very pleased to see nuclear energy recognized as part of Canada's suite of clean energy technologies eligible for Mission Innovation funding. Nuclear energy and innovation has a big role to play in addressing global climate change.

Current use of nuclear energy worldwide helps the planet avoid some 2.5 billion tonnes of carbon dioxide emissions every year if the same amount of electricity was produced using fossil fuels. In Canada, roughly 60% of Ontario's electricity mix comes from nuclear power, enabling the province to become the first jurisdiction in North America to successfully phase out coal-fired power – using strictly Canadian reactor technology.

At the same time, Canada is the world's second-largest source of uranium for nuclear energy. As the leading Canadian producer, Cameco plays a significant and positive role in the energy equation of many countries. In North America alone, Cameco uranium powers 1 in every 19 households in the United States and 1 in every 10 in Canada.

This is a major contribution to global greenhouse gas reduction efforts of which our company is very proud, facilitating the generation of clean, carbon-free, baseload electricity that in most instances would otherwise be produced using greenhouse gas-emitting sources.

Cameco's leadership position in this industry is even more noteworthy considering the bulk of our competitors are either state-owned enterprises backstopped by the public treasury or multi-national mining conglomerates for whom uranium comprises just a small fraction of their balance sheets.

As the 2017-18 Federal Budget provides details around tax measures, innovation funding and support programs for the development of clean and sustainable technologies that can be exported globally, Cameco asks that the federal government continue to recognize the contribution that nuclear energy, and all products along the nuclear value chain, make towards our goal of cleaner air and a low-carbon economy.

We also support ongoing work to ensure that tax measures are efficient and encourage innovation, trade and the growth of Canadian businesses. Canada should have the world's most competitive tax jurisdiction for investments in the research, development and manufacturing of clean technologies, including nuclear energy.

CONCLUSION

The 2017-18 Federal Budget provides a tremendous opportunity for the government to solidify action on its policy priorities. Cameco believes these actions should include: investments in Indigenous education and employment; northern infrastructure; creating conditions for sustainable resource development; trade promotion in emerging markets; and actions to combat climate change that include nuclear technologies.

We hope this submission proves helpful to federal decision-makers as they work to develop Canada's fiscal plan moving forward.