



August 5, 2016

The Honourable Bill Morneau, P.C., M.P.  
Minister of Finance  
90 Elgin Street  
Ottawa, ON K1A 0G5

**Re: Federal Budget Consultations 2017**

Dear Minister Morneau:

As the Government of Canada advances the development of Budget 2017, outlined below are priority recommendations from Teck for your consideration.

Proudly Canadian, Teck is a global leader in sustainable resource development and is Canada's largest diversified resource company with business units focused on steelmaking coal, copper, zinc and energy. In Canada, we own six steelmaking coal operations, the country's largest open pit copper mine, metallurgical, technology and innovation complexes, copper development projects, a wind power facility, a hydroelectric dam, and interests in a port and several oil sands projects. We employ over 7,500 people across the nation. In 2015, our domestic capital expenditures totaled over \$2.2 billion. We are also a major Canadian transportation stakeholder, as the country's single largest rail user and a significant port-user. Our exports total close to \$5 billion annually.

As 2017 approaches, we look forward to continuing to contribute to the Canadian economy and to building partnerships with governments, Indigenous Peoples, environmental groups, international development organizations and others to ensure we are maximizing the social, economic and environmental protection opportunities the resource sector can generate for Canadians and citizens around the world. To that end, we are pleased to share recommendations in five key areas:

1. Positioning Canada on the world stage as a global leader on climate change policy and innovation, while supporting the competitiveness of Canada's emissions-intensive and trade-exposed industries (EITIs).
2. Strengthening confidence in environmental regulatory frameworks including federal review processes and industrial effluent regimes.
3. Renewing relationships with Indigenous Peoples.
4. Enhancing relationships with key markets, with a focus on Asia and China and India in particular.
5. Ensuring Canada's rail system supports economic growth, job creation and trade opportunities.

More broadly, as the reverberations of one of the most extreme and sustained downward commodity cycles in history continues to be felt throughout the country – we urge you to advance a long-term vision for sustainable economic development that reflects the integral role that the resource sector will continue to play in supporting a modern, innovative and prosperous Canada.

## **1. Positioning Canada on the world stage as a global leader on climate change policy and innovation, while supporting the competitiveness of Canada’s emissions-intensive and trade-exposed industries**

### **Context**

We welcome the federal government’s commitment to combat climate change and we were proud to support Canada’s efforts by becoming the first Canadian resource sector company to join the World Bank’s Carbon Pricing Leadership Coalition.

With nearly a decade of experience working with carbon pricing, we believe that it can be one of the most effective ways to incentivize emissions reductions – ensuring sustainable resource development continues to support jobs, economic growth and produce the commodities the world needs as we transition to a low-carbon future. We also know carbon pricing policies must be designed to improve, not imperil, competitiveness and that all jurisdictions and emitters must play a role in order for carbon pricing to be effective.

### **Recommendations**

As Canada works to finalize a national climate change strategy, we recommend the government:

- Enshrine competitiveness principles as part of any framework that is adopted – ensuring that federal/provincial/territorial carbon pricing frameworks are required to incorporate competitiveness protections for EITIs.
- Support programming and funding for innovation in areas that improves Canadian greenhouse gas (GHG) performance and competitiveness including energy efficiency and direct GHG reduction opportunities.
- Ensure both technology ‘developers’ and ‘adopters’ have access to innovation funding and other incentives.

## **2. Restoring confidence in environmental regulatory frameworks**

### **Context**

In addition to ongoing permitting and authorization activities to support mine life extensions at our BC steelmaking coal mines, Teck’s Frontier Project is the only oil sands projects currently undergoing a major regulatory application under the *Canadian Environmental Assessment Act (CEAA) 2012*. In parallel to the EA process, Teck continues to engage with Indigenous groups and communities and continues to advance innovative solutions in the areas of biodiversity and land conservation.

In light of these activities, as the government advances its review of EA processes, it will be essential to continue to seek input from stakeholders including the mining sector, which became the most highly regulated sector subjected to EAs and associated regulations, and who are still navigating the significant amendments made to regulatory approval and authorization legislation in 2012.

### ***Recommendations***

As you advance your review of EA processes, we recommend the government:

- Acknowledge where regulatory frameworks are robust and avoid legislative amendments that will not achieve meaningful outcomes in contributing to environmental protection.
- Ensure clarity and certainty for transition processes for projects currently undergoing regulatory reviews.
- Ensure processes set up to consult with Indigenous Peoples, industry and other stakeholders are meaningful.
- Seek input from the provinces and territories to ensure harmonized EA processes are maintained and improved.
- Establish a path forward on pipeline development to ensure the viability of Canada's energy sector.

### ***Strengthening Canada's industrial effluent regime***

We support the Government's objective of enhancing environmental protection related to managing effluent from industrial sectors. As such, we have been engaged with Environment and Climate Change Canada on the review of the Metal Mining Effluent Regulations (MMER) and the development of a separate regulation for the coal mining sector that would achieve the same intent.

For Teck, the expeditious development of the coal mining regulation is critical as we advance permitting processes to extend the life of our five steelmaking coal mines in southeastern BC. These mines support 4,000 direct jobs and we are working to receive all required authorizations by the end of 2017 to avoid any disruptions to production and associated employment, while also protecting the environment.

### ***Recommendations***

To strengthen Canada's industrial effluent regime, we recommend the government:

- Expeditiously conclude the MMER review.
- Expeditiously conclude the development of a parallel regulation for coal mining that:
  - recognizes existing provincial regulatory mechanisms to the extent possible;
  - sets the terms under which certain activities can take place;
  - sets high standards for environmental performance, compliance and monitoring; and
  - strengthens enforcement by providing the tools necessary for government to effectively hold producers to account for their effluent management activities.
- Develop robust transitional mechanisms to allow for continued mining at our steelmaking coal mines while the coal mining regulation is being developed.

## **3. Advancing the renewal of the relationship between Canada and Indigenous Peoples**

### ***Context***

The majority of our operations are located within or adjacent to Indigenous Peoples' territories and we actively work to achieve the free, prior and informed consent (FPIC) of Indigenous Peoples when proposing new or substantially modified projects. We currently have 24 formal agreements with Indigenous Peoples in place in Canada alone, and another 11 that are in various phases of negotiation.

### ***Recommendations***

As the government advances its commitment to renew the relationship between Canada and Indigenous Peoples, we recommend it:

- Continue to strengthen guidance to proponents and Indigenous communities on roles and responsibilities in relation to the duty to consult, and establish mechanisms to better align activities with the provinces and territories.
- Engage with industry, provinces and Indigenous governments to develop processes for the implementation of UNDRIP, with a focus on FPIC provisions.
- Support capacity development opportunities including the Aboriginal Skills Training and Employment Strategy and reviving a new iteration and model of the BC Aboriginal Mine Training Authority.
- Renew the Comprehensive Land Claims Policy and implement other measures to advance First Nations treaty negotiation settlement and reconciliation.

## **4. Enhancing diplomatic and economic ties with key markets, with a focus on Asia and China and India in particular**

### ***Context***

Teck is a major Canadian exporter, with Asia accounting for over 60% of our total exports. China, Japan, South Korea and the United States continue to represent our largest markets. We are also increasing our presence in India.

China is of particular importance to Teck given it has represented our single biggest market over the past few years. For Teck, the absence of a Free Trade Agreement (FTA) with China has led to several damaging protectionist measures being put in place, notably that our steelmaking coal is now subject to a three percent tariff that our biggest competitors, such as Australia, are not required to pay.

Given the importance of China not only to Teck, but also to Canada's and the world's economic future, it is essential that momentum to enhance relations is built quickly and maintained so that Canada may catch up to our competitors to ensure the nation's long-term economic security and competitiveness.

### ***Recommendations***

Specific to China, we urge the Government to:

- Advance an economic dialogue with China to pave the way for initiating formal FTA negotiations as soon as possible.
- Share information with Canadians on the benefits of an enhanced Canada-China relationship.

Regarding our other key Asian markets, we also urge government to:

- Advance the ratification of the Trans-Pacific Partnership.
- Conclude negotiations with Japan on the Economic Partnership Agreement.
- Advance trade and investment talks with India.

## 5. Ensuring Canada's rail system supports economic growth across all sectors and that foundational imbalances in the shipper/railway relationship are addressed

### **Context**

As Canada's single largest rail user, CP's biggest customer, a significant port-user, and as part-owner of Neptune Terminals, we are keenly interested in the government's response to the *Canada Transportation Act* (CTA) Review and the development of its broader transportation policy agenda.

Investment in infrastructure is a critical component of supply chain efficiency. However, we caution that infrastructure should not be viewed as the only issue and therefore only solution needed to address Canada's transportation challenges. In fact – a significant challenge for policy-makers in Canada is that in some areas of the supply chain lacking competition such as rail service, there is no meaningful data available to guide to what degree policy and funding priorities should be focused on infrastructure versus addressing other major systemic issues underlying rail bottlenecks.

Significant rail service failures are a perennial issue for shippers, accounting for hundreds of millions of dollars in added costs over the past few years. We see our reputation as a shipper, and Canada's as an export country, damaged by both the status quo and the type of extreme and ad hoc intervention we have seen in past years to address failures for certain industries at the expense of others.

### **Recommendations**

In order to ensure Canada's is fully leveraging its economic and trade potential, we urge the Government to:

- Take a phased and evidenced-based approach to policy-making, starting with the creation of a transparent and granular rail service data regime that will enable policy-makers to inform where and why bottlenecks exist – enabling the government to respond by introducing policy instruments that address identified issues rather than relying on anecdotal evidence.
  - Adequately resource the Canada Transportation Agency to administer the data regime.
- Maintain and strengthen the common carrier obligation – reflecting that the individual needs of shippers must be recognized, particularly in the context of Canada's non-normally functioning rail market.

## Conclusion

In summary, we believe our recommendations are focused on areas that are critical to the economic and social prosperity of Canada and appreciate your consideration. We look forward to engaging with you and your colleagues in the months ahead. If you have any questions, please do not hesitate to contact me.

Sincerely,



Marcia Smith  
Senior Vice President, Sustainability and External Affairs

Cc: Hon. Jim Carr, Minister of Natural Resources  
Hon. Catherine McKenna, Minister of Environment and Climate Change  
Hon. Dominique Leblanc, Minister of Fisheries, Oceans and the Canadian Coast Guard  
Hon. Mary Ann Mihychuk, Minister of Employment, Workforce Development and Labour  
Hon. Marc Garneau, Minister of Transport  
Hon. Navdeep Bains, Minister of Innovation, Science and Economic Development  
Hon. Carolyn Bennett, Minister of Indigenous and Northern Affairs  
Hon. Chrystia Freeland, Minister of International Trade  
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