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## **Standing Committee on Natural Resources**

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**EVIDENCE**

**Thursday, June 21, 2012**

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**Chair**

**Mr. Leon Benoit**



## Standing Committee on Natural Resources

Thursday, June 21, 2012

• (0845)

[English]

**The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):**

Good morning, everyone. Welcome to the continuation of our study on resource development in northern Canada.

We have with us today four groups of witnesses. From the Mining Association of British Columbia, we have Karina Briño, president and chief executive officer. Welcome.

From Vale, we have Jody Kuzenko, general manager of sustainability, base metals, North Atlantic region. Welcome.

From Ecojustice Canada, we have William Amos, director, from the University of Ottawa Ecojustice environmental law clinic. Welcome.

And from Diavik Diamond Mines Inc., we have Gordon Macdonald, principal advisor, sustainable development. Welcome to you, sir.

We will start with the presentations in the order listed on the agenda. First, from the Mining Association of British Columbia, is Karina Briño.

Go ahead with your presentation, for up to seven minutes, please.

**Ms. Karina Briño (President and Chief Executive Officer, Mining Association of British Columbia):** Thank you very much. Good morning.

It is an important opportunity for us to speak with you this morning. What I would like to do in my seven minutes is to provide you with an overview of who we are, as far as the association is concerned, and with an overview of what the mining industry is doing in British Columbia today. I'll talk to you as well about some of the challenges and opportunities we see going forward.

In terms of what the mining association is, we are the representative of all the operators in British Columbia. This does not include the junior exploration group. It's primarily the operations. That includes coal, metal, industrial minerals, and some of the aggregate producers.

We have been around since 1901. Our primary priority, our primary objective, is to not only raise awareness about mining in the province but to share information and educate the public. We also educate ourselves about what some of the concerns about mining are among the general public. So it's really about dialogue.

You have a list of our members. Again, that includes all the operators as well as companies that have advanced projects in the province.

In approximately the middle of May this year, we released our latest statistics on what the industry is doing. This information is based on 2011 data gathered by some of our members. It does not include all the companies, so it's not a full picture of what the industry is doing.

In B.C., from the 19 major operations we have in some of the advanced projects, the mining industry contributed about \$10 billion to the B.C. economy. That is a 25% increase from 2010.

When we look at the numbers in more detail, a good 80% of that 25% increase came from coal in the southeast and in the northeast of the province. That increase in mining revenues also translated into an increase in capital expenditures, an increase in mineral exploration, and an increase in payments to governments. But the real story for us is the increase in job creation and average salary. In B.C. right now, the average salary for someone working in the mining sector is about \$115,000, which is a significant number in comparison to the \$65,000 or \$67,000 for the rest of the population.

That's really where our focus is right now. It is about how we find opportunities to create some common ground that will continue to allow benefit creation in the province for British Columbians. We are also interested in knowing how we increase public participation in the process.

Focusing strictly on northern British Columbia, which I believe is the focus of your exercise this morning, if we look at the whole province, there are about 30 projects in process, at one stage or another, right now. Over the next 10 years, if all of those projects go through, we're looking at about \$30 billion in investment in the north alone. I'm talking about north of Smithers. In the northwest, it's about \$20 billion and 6,300 jobs. In the northeast, because there is still a lot of development going on and not as many operating mines, it's about \$2 billion in investment and about 2,000 jobs. Again, that's where the focus is for us, and it will continue to be over the next little while.

The northwest transmission line obviously is going to be a key player in the ability of some of these projects in the northwest to go through. We're looking forward to that being on target, as well, for 2014. The next new mine that is going to open, the Red Chris project in northwest British Columbia, will be the first industrial customer of the northwest transmission line.

Those opportunities come with challenges. The challenges can also be seen as an opportunity for the industry to engage in a different kind of dialogue, as I said, with stakeholders and primarily with aboriginal communities.

• (0850)

In terms of federal-provincial relationships, the duplication and overlap in project approvals and environmental assessments have been of concern to the province of B.C. for a number of years now. We are encouraged to see there is a move in the right direction when it comes to the elimination of duplication, and actually more consistency in timelines associated with that process.

We need to be clear so that it is known in the public that what we're looking for is predictability in the process. We're looking for clarity in terms of how decisions are made, who makes them, and how long they're going to take. Once I enter the process, I need to know when I'm going to get out of it. Whether it's a yes or a no, the point is to have clarity and transparency in that process. Timelines and clarity in the scope are our primary interests.

There are all sorts of opportunities to talk about what that would look like on the ground, but the general intent of the changes to the environmental assessment process is something we're very supportive of. With that, there are other legislative and policy changes that we also think are an important opportunity for the industry to engage in dialogue with government. In terms of the Fisheries Act, they would include effluent regulations, etc. I don't think these are simple solutions. It does create an opportunity to talk more about what this would actually look like on the ground. Some of those changes are not necessarily things the industry would be pushing for, but certainly the opportunity to talk about them is what we're interested in.

I don't think we can talk about improvements in regulation and improvements in process without talking about aboriginal relations. This is something we're very interested in from the perspective of how we can engage meaningfully and what that means. What is the role of the industry versus the role of the crown in terms of meeting its duty to consult? What is the role of industry in terms of benefits going towards aboriginal communities? We do have a social responsibility towards that. There needs to be clarity around that, in terms of when my responsibility stops versus the government's. That's also an opportunity we haven't explored to the fullest yet.

I'm conscious of the time, so I'm going to leave you with the thought that the industry is very interested in a different kind of conversation. We are interested in finding common ground. The association has been reaching out to those groups that are expressing tremendous concern about some of the changes. We want to make sure they understand, as well, where we're coming from when it comes to finding efficiencies and transparency.

We're here hopefully to address some of your concerns, as well as some of your questions about what that means for us. The industry is committed to social responsibility and our own social licence. I think we've demonstrated that by some of the measures in the reporting commitments we've made with the Mining Association of Canada towards sustainable mining initiatives.

I look forward to your comments and questions. I hope the information I've provided has been of some assistance to you.

• (0855)

**The Chair:** Thank you very much for your presentation, Ms. Briño.

We will go now to Vale and Jody Kuzenko. Go ahead with your presentation, up to seven minutes.

**Ms. Jody Kuzenko (General Manager, Sustainability, Base Metals, North Atlantic Region, Vale):** Thank you.

I think you're going to hear some common themes this morning.

I want to start by thanking you on behalf of Vale for this opportunity to speak to you this morning on natural resource development in the north. It's a topic that's important to us as an organization, to mining as an industry, and I think to Canadians more broadly.

I'll start by telling you a little something about our company. Vale is the world's second-largest mining company by market capitalization, second only to BHP. We're present in 38 countries around the world and employ some 134,000 people.

In our Canadian operations, our employee base is 6,500 people strong. We're in four provinces with our operations and have exploration activities in many more areas. Apart from the 6,500 direct employees, we employ approximately 10,000 contractors, suppliers, and service representatives.

Our primary product is nickel, of course. We're the second-largest producer in the world after Norilsk.

As a primary producer we don't often talk a lot about end uses of the product, but I always try to bring that into conversations. Nickel is used to produce stainless steel and metal alloys, which are then used in the production of airplanes, automobile engines, surgical instruments, and batteries, as well as new batteries for hybrid cars. There's so much impetus to be green these days and so much discussion around that, and mining is often viewed as antithetical to that, but I often say that none of us wants to fly home in a biodegradable plane.

We also produce copper, cobalt, and platinum group metals. With our potash project in Saskatchewan, we'll soon be in the fertilizer business and adding an important contribution to the world's global food chain.

Outside of Brazil I would say that no single country is more important to Vale's fortunes than Canada. Our base metals business, as it's called, is headquartered in Toronto. It's divided into three geographic regions: North Atlantic, South Atlantic, and Asia Pacific. The North Atlantic, of course, is focused on Canada.

An important point is that the North Atlantic team is headquartered at our operations in Sudbury, Ontario, in the north. This means that the team of people who lead the mining operations in Canada live in the north. We raise our families in the north, and most of us are from the north. The point there is that we care about the north.

The entirety of our base metals business in Canada is in the north: northern Labrador, northern Manitoba, and northern Ontario. Our exploration activity takes us even farther north to Nunavut in search of the next metal discovery to sustain our business.

At Vale, our vision is to be the world's best mining company. It's a pretty lofty ambition, as it should be, and it's important to articulate what the best means to us. It doesn't mean being the biggest. It means aspiring to be the best. It means aspiring to be the best on values that are fundamental to us, such as: life matters most; health and safety; a respect for the natural environment; responsibility to communities in which we operate; and generating sustainable benefits for this generation of Canadians and the next. Put simply, to me it means that we need to take responsibility and act responsibly.

How will we achieve our vision? It's difficult to reconcile a sustainable platform with a mining company. After all, as a non-renewable resource, it doesn't grow back once we take it out of the ground. But I would say that an industry that has survived and prospered over the better part of a hundred years is the very essence of sustainability, and that's how far back our roots in northern Canada extend.

In Canada, we've embarked on an aggressive strategy to see the next generation of miners. In November of 2010, we announced a \$10 billion investment in Canada. It's one of the boldest and most aggressive investment packages in the country and certainly, without question, in our company's history.

The program includes: a \$3.6 billion investment in a hydro-metallurgical processing plant at our operations in Long Harbour, Newfoundland; a \$2 billion investment to retrofit our smelter in our Sudbury operations, called the Clean AER project, with AER standing for atmospheric emissions reduction; a potential new mine development in Thompson, where we're closing down our smelter and nickel refinery and transitioning to a mining-milling operation, so we're investing money in mine development there; and a potash development in Saskatchewan, at a spend of between \$2.5 billion and \$3 billion.

• (0900)

We're investing in Canada because we believe in Canada. The country is, as we all know, blessed with an abundance of natural resources, with, importantly, a stable political environment, and with some of the most highly skilled miners on the planet.

But we do have our challenges. Vale's future and the future of mining in Canada depend on finding and developing viable mineral deposits that will lead to the next mines. I echo the concerns of Karina that exploring in the north is fraught with risk and instability. It's costly, given the lack of infrastructure, vast distances, remote locations, harsh climates, and decentralized regulatory environment.

I have a number of examples of the complexity of permitting and regulations in the north, largely recent examples from our exploration in Nunavut. There, setting up a small tent for exploration work requires three permits from three different entities.

Permitting for early exploration can take anywhere from three months up to a year. Bear in mind that early exploration work is light, low-impact work that is the least intrusive part of the mining cycle. We're just looking to see if there are mineral deposits there worth exploiting, yet the system seems to mitigate against that with a three-month to one-year delay.

In another instance, it took the better part of three months to get a permit to land a helicopter in the north. So, it takes three permitting entities to peg a tent, three months to land a helicopter, and we're just checking to see whether there are minerals there.

These are but a few examples. When tallied today, the amount of Vale's investment program exceeds the \$10 billion announced in 2010, and therein lies the problem. Permitting delays, project interruptions, and rising costs result in projects being over-budgeted, over-scheduled, downsized, or worse, shelved entirely. We call it capital paralysis.

The permitting and regulatory environment is an important part of that equation. What we want from government is a regulatory environment that promotes, rather than hinders, responsible and sustainable development. We support your efforts to streamline the regulatory review process and adopt a one-window approach.

Critics of that approach would suggest that it's a shortcut. I disagree. I think some people may not appreciate that complexity and volume do not necessarily impact quality or precision on topics like environmental assessment. You can have one without the other. A strong regulatory environment should maximize both effectiveness and efficiency to drive responsible benefits.

I was fortunate enough to hear a talk by an individual from the Treasury Board of the federal government. He introduced this concept of a world-class regulator. When I asked him what that meant to him, he had a very succinct answer. He said there were five things. A world-class regulator is one that acts on facts and scientific evidence, not the politics of the day, and takes a risk-based approach to regulation. Second, it is aligned with systems in other jurisdictions—internationally and provincially. Third, it allows for periodic reviews of its regulations to ensure that the regulations in the books are relevant. Fourth, it's one that views regulatory instruments as instruments of last resort, only for when education, awareness, and other efforts don't work. Last, it's a regulator that seeks to minimize administrative burden and is mindful of that as they are introducing new regulations.

I happen to agree with all of those points. The benefits are obvious—jobs, investment, and an enhancement of Canada's image as a centre of mining expertise and excellence.

I'll wrap up by saying two specific things. Tomorrow is a big day for us at Vale. We're launching our \$2 billion Clean AER project, demonstrating our commitment to the environment. That's \$2 billion on an environmental project designed squarely to reduce air emissions by some 95% over 1970 levels. That's not another ounce of nickel or copper out the door but purely an environmental investment.

We're also signing our first Ontario impact and benefit agreement tomorrow, with the Sagamok First Nation group with respect to our new Totten mine development.

In my view, these things demonstrate that mining, environment, and community can coexist, and we look to the government for support on these things.

Thank you for the opportunity for input.

• (0905)

**The Chair:** Thank you, Ms. Kuzenko from Vale.

The next presenter is from Ecojustice Canada. William Amos is the director.

Go ahead, please, Mr. Amos.

**Professor William Amos (Director, University of Ottawa - Ecojustice Environmental Law Clinic, Ecojustice Canada):** Thank you for the opportunity, Chair and members. It's a pleasure to be here.

The issue of northern development is one that is a massive challenge to civil society because not only are many “southern” environmental groups not really present in the north—there are some who are—but there are also suspicions not just from the perspective of their interests in northern development or their disinterest as the perception may be, and not just vis-à-vis industry but also from with communities who live in the north. There is a lot of work that organizations like Ecojustice have to do in order to build trust with communities up north so that there is an understanding that in engaging in discussions around northern development the perspective of the vast majority of non-profit environmental groups is not one of “No, no, no” and not one of “Let's add process. Let's put

sticks in the spokes”. It's actually a much more responsible one and requires dialogue.

I'd like to give you a perspective on where Ecojustice sits in the spectrum of this dialogue and then articulate a bit more clearly where our particular interests in northern development have been most expressed.

Ecojustice is Canada's leading public interest environmental organization. We have offices in Vancouver, Calgary, Toronto, and Ottawa. We have 17 lawyers. Our operating revenues annually are roughly \$5 million. So one can tell that, while we're a substantial organization in the grand scheme of things, if Canada's largest public interest environmental law organization has a \$5 million budget and we're dealing with projects that are upwards of \$1 billion, we're small players in a giant pool. We understand that we have lots of work to do. We have to choose very carefully which projects we engage in and which issues we engage in, particularly in the north, where there are so many projects that are coming online in the very near future.

Ecojustice does two-thirds of its work litigating, taking on precedent-setting cases. We're before the Supreme Court regularly, but we don't only work in the area of litigation. We also do a significant amount of law reform work, so we were key players in the environmental movement's analysis of Bill C-38. It's our role to communicate the environmental community's perspectives on legal developments when the federal government engages in important transformations of the federal environmental governance regime. I'll actually keep my comments around Bill C-38 to a minimum. They do have impacts in the north.

**An hon. member:** It passed.

**Prof. William Amos:** It did, however, there is a Senate. You are correct, and we're not going down that road today.

Ecojustice most recently represented World Wildlife Fund Canada in the National Energy Board's Arctic offshore review, which took place in the shadow of the BP spill in the Gulf of Mexico. Our primary engagement at this point in the north at Ecojustice is on the issue of offshore drilling, and our position and WWF's position in this issue was not one of “No to drilling; it never can be done”, anti-offshore. It wasn't that at all, and it is worth clarifying that because, as I said, all too often the perspective is that environmental groups are opposed and they must be crushed.

It's our opinion that there can be responsible development in the north, and that there can be sustainable development in the north. Of course, those two words remain to be defined and they are politically charged. But when it comes to offshore development in the north, particularly in the Beaufort but also as we're now seeing proposals for seismic testing in the Davis Strait, we're anticipating significant activity there over the next five or ten years. There are some significant regulatory issues that must be addressed at a federal level before any kind of responsible or sustainable development can move forward.

●(0910)

Again, this is not an anti-offshore perspective. This is one that is focused on the social licence to operate. It's focused on ensuring that northern communities that rely on the environment to feed themselves and maintain their cultures can be sustainable as well.

I want to pick up on Ms. Kuzenko's theme of the timeliness of the length and complexity of the regulatory process. I have one very simple suggestion today, which would make a big difference with regard to the quality of the regulatory regime and of the certainty that industry would have going forward as well as the timeliness of their and government decisions. Right now, when the Ministry of Aboriginal Affairs and Northern Development makes a decision to issue a licence for offshore exploration in the Arctic, there is no environmental assessment process.

In the U.S. there is, and in Norway there is. There's a legal requirement for environmental assessment in those countries. In Canada the environmental assessment process has kicked in once the actual exploration activities are beginning. I would suggest that the uncertainty that this generates for industry and particularly for communities is significant.

At the stage of the issuance of licences there needs to be a full strategic environmental assessment of whether offshore drilling should go ahead in a particular area, well before significant investments are made to prepare for exploration activities. This way capital wouldn't be paralyzed and decisions by those communities up north could be made at a much earlier phase, so that they could determine that over here is not an area where they want to be drilling, and over there, potentially, yes.

It's that one crucial question of when you are going to do an environmental assessment. Right now, they don't do it up front; they do it well down the line. The ultimate result is going to be that poor decisions are going to be made because they will already have determined that in areas X, Y, and Z they can drill. I would simply suggest that's a massive issue, particularly in the context of devolution. I'd be happy to talk to the theme of devolution between the Government of the Northwest Territories and the federal government with regard to offshore governance. That's another big issue. The environmental assessment feeds into that as well.

I'll conclude by saying that if there are any issues that interest people with regard to offshore liability and the reform of that regime in the post-BP spill world, we'd be quite happy to speak to that issue as well.

Thank you very much for your time. I very much appreciate the opportunity.

●(0915)

**The Chair:** Thank you, Mr. Amos, for your presentation from Ecojustice Canada.

Our final presenter today is from Diavik Diamond Mines, Mr. Gordon Macdonald. Go ahead with your presentation, please, sir. You have up to seven minutes.

**Mr. Gordon Macdonald (Principal Advisor, Sustainable Development, Diavik Diamond Mines Inc.):** Mr. Chairman and

members of the committee, thank you for the opportunity to speak to you today about the northern regulatory environment.

Diavik is a diamond mine that produces six to eight million carats of gem quality diamonds per year. Diavik is owned 60% by Rio Tinto, a diversified multinational mining company, and 40% by Harry Winston, a Canadian miner and jewellery retailer.

Diavik is remotely located 300 kilometres northeast of Yellowknife at Lac de Gras, which has only air and seasonal ice road access. Mine construction commenced in 2000 and production started in 2003. There is an expected mine life of another 10 years, to 2023. Since 2000 we've spent \$5.2 billion, of which \$2 billion was with aboriginal businesses, and \$3 billion was with northern businesses. We currently average 642 northern employees and 313 aboriginal employees.

I've been with Diavik since the exploration phase in the mid-1990s. I assisted the project through baseline studies, environmental assessment, permitting, permit renewals, and am now focused on closure and reclamation planning. Along this regulatory journey we have faced many challenges. The ones I'd like to focus on today are the current operational regulatory challenges as compared with pre-development or environmental assessment challenges. I'd like to provide three specific examples which I think illustrate the type of issues we face in the northern regulatory environment.

First is fish habitat compensation. The Diavik mine site is on an island surrounded by a lake 60 kilometres long. The mine footprint covered four very small lakes on the island. The Department of Fisheries and Oceans issued a subsection 35(2) authorization under the Fisheries Act for the loss of fish habitat in these lakes and connecting streams. As a condition of the authorization, we were required to provide compensation for the lost fish habitat following the DFO policy of like-for-like replacement of habitat near where it was lost.

For Diavik, given its remote location, the only compensation options near the mine site were in pristine natural areas. Aboriginal communities in particular did not see the merits of fish habitat enhancements to a pristine environment hundreds of kilometres away from where people might use those fisheries resources. Diavik worked with communities to try to change the DFO habitat compensation work so that it could be done near communities instead. DFO remained firm that its policies did not allow for this.

We're now in our second year of a \$4 million fish habitat construction project that doesn't appear to be valued by anyone other than DFO and fisheries researchers.

Second is effluent standards. The primary regulatory controls in a water licence are the limits for mine effluent discharges. Mine water management is one of the most important aspects of mine environmental design and management. Effluent limits should be predictable. They should be based on science and engineering with established and documented development procedures. Prior to development, mine operators must know the effluent standards they will be required to meet.

The Northwest Territories Water Act provides for the Minister of Aboriginal Affairs and Northern Development to make regulations prescribing effluent and water quality standards. This would provide the kind of certainty developers are seeking. Unfortunately, Aboriginal Affairs and Northern Development Canada has not done this and it has been left to the land and water boards to determine effluent limits on a case-by-case and sometimes ad hoc basis. While the land and water boards are attempting to standardize methods for setting limits, these methods are unlikely to be implemented successfully without supporting regulations from Aboriginal Affairs and Northern Development Canada.

Third is closure financial security. In 2000, Diavik accepted financial security requirements against closure and reclamation obligations, which increased over time to a maximum of \$212 million. The crown currently holds \$201 million. The amount is significant and was influenced by historic and ongoing local mine closure concerns, coupled with the location of Diavik on an island in a valued lake. As a condition of acceptance, provisions were included to allow the amount of security to be revised over time based on actual mine performance and practices.

The Wek'eezhii Land and Water Board has the jurisdiction to determine the amount of security for Diavik.

The Wek'eezhii Land and Water Board undertook an open and transparent three-year process to review and require revisions to our closure and reclamation plan, and to re-estimate the required financial security based on expert submissions by both Aboriginal Affairs and Northern Development Canada and Diavik.

• (0920)

The Wek'eezhii Land and Water Board determined that the financial security was to be reduced \$131 million due to Diavik's significant investment into managing our closure and reclamation liability. Despite the Wek'eezhii Land and Water Board decision, the amount of security held by the crown has not yet been reduced, and Aboriginal Affairs and Northern Development Canada officials in Yellowknife are recommending adding an additional \$30 million of security. The actions of the Aboriginal Affairs and Northern Development Canada officials in this case do not support the Government of Canada's agenda to reduce regulatory duplication and increase certainty for developers.

The examples that I've provided are intended to illustrate some of the regulatory challenges facing a mining operation that has demonstrated achievements in environmental and socio-economic performance in the Northwest Territories.

In the three examples above, the federal government are both the cause and the solution for the regulatory challenges. There exists a tremendous and ready opportunity for regulatory improvement in the Northwest Territories.

Thank you.

**The Chair:** Thank you very much, Mr. Macdonald from Diavik Diamond Mines.

We go now to questions and comments, starting with Mr. Anderson, for up to seven minutes.

Before we start though, Mr. Anderson, I do want to say that we're leaving about 15 minutes at the end of the meeting to discuss future business, so we have a limited amount of time here.

I want to sincerely thank all of the witnesses for their information, and I'm looking forward to your answers to questions.

Mr. Anderson, go ahead, please.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** Thank you, Mr. Chair.

Mr. Macdonald, we're interested, again, to hear of some of the DFO excesses that have been caused by that previous legislation. It confirms the wisdom of what we've done in passing our economic action plan this spring, I think.

Some of my other colleagues may talk about that, but I'd like to talk to you about something that's consistently come up through our study over the last year—as you're coming from three different geographic areas—and that is the issue of human resources. I assume, as many other witnesses have told us, that is an issue for you. I'm just wondering what you're doing in your part of Canada in order to deal with that issue. You're in northern B.C., you're spread out across some of the provinces, and you're in the north, but what are your members doing to try to deal with that issue?

It may actually lead into this, but I'd like to talk about education and training and how you are participating as part of that. We've had various suggestions of what might work in remote communities and other places, in aboriginal communities, trying to get them engaged. So I'm just interested in your thoughts on that.

Mr. Amos, if you want to participate in this as well, I'd be glad to hear your thoughts on the development of human resources and then how we deal with education and training.

Go ahead.

**The Chair:** We can start with Ms. Briño and just move down the line.

Go ahead, please.

**Ms. Karina Briño:** Thank you for the question.

The latest statistics, at a national level, indicate that Canada will need about 112,000 skilled workers for the mining sector alone. It is estimated that about 10% of those are going to be located in British Columbia. So the issue for us is significant in the sense that we are actually running out of time to get ready, if projects are going to get approved. We have not hit the point where businesses are getting stalled because we don't have the workers, but companies are having to go abroad to look for that skilled workforce.

In terms of what the industry is actually doing, the foreign worker program is certainly helping in terms of meeting the immediate need, but we continue to look for opportunities to provide training and capacity development at a local level. This is where aboriginal training opportunities come into play and continued funding both at the federal and the provincial level, in addition to industry contributions, are very important.

**Mr. David Anderson:** Do you have any specific examples of things that have worked well?



**Ms. Karina Briño:** Absolutely.

Currently two sorts of partnerships have been created in B.C., one in the interior and the other one in the northwest, to increase aboriginal participation in the industry but also to create capacity for their own respective communities.

One is the School of Exploration and Mining in the northwest. They provide environmental monitoring training for aboriginal youth. These youth are actually working in both the industry and their own bands. They become the environmental monitors for them. So it's not industry-specific training, it's environmental monitoring training. Those skills are very transferable. They can be applied to different sectors.

In the interior right now, there is a very strong partnership that is at risk, if I may say, as a result of federal funding not having been approved yet. If I could put in a pitch for that, it's something that I would be very interested in.

This partnership is creating training opportunities and job opportunities for underground mining in the Kamloops area. We do have a mine that is about to open up, the New Afton mine, in the Kamloops area. This particular program, the British Columbia Aboriginal Mine Training Association program, is essentially preparing the future workers for that particular mine. The industry has come to the table with funding and money. We just need to figure out how we're going to get the additional funding that used to come from the federal government and that now isn't there—yet.

In terms of other initiatives, the industry has come together over the last few years to develop a strategy to deal with the workforce shortages. We've been successful to a certain extent, but things are happening fast. As I said, the concern is that we will have to continue to look abroad, which is not the ideal resolution to the problem, as we would like to create those opportunities for, in our case, British Columbians.

• (0925)

**Mr. David Anderson:** I'm just about out of time here, so I'm wondering, Mr. Macdonald, if you could you go next, because you are in the north.

Then maybe we could work our way back.

**Mr. Gordon Macdonald:** Our target is aboriginal people in the north for employment. Our greatest success has probably come through mine training societies and apprenticeship programs, but first and foremost is just a stay-in-school program to help kids stay in school and get at least a grade 10, and preferably a grade 12, education.

**Mr. David Anderson:** Are you actively involved in that?

**Mr. Gordon Macdonald:** We are actively involved in that, yes.

**Mr. David Anderson:** What are you doing there?

**Mr. Gordon Macdonald:** A lot of it is mentoring. We go to high schools, elementary schools, teaching them what a career in mining can be about. It's role modelling through people in the community who already work at the mine and who go back and tell people what working in mining is about.

It seems to be working. We've been able to successfully keep about a 30% aboriginal employment level at the mine site. It was easier in an open-pit operation. As mentioned, we have transitioned to underground, so we're going back again. We have to go through a whole new retraining program to bring people underground.

**Mr. David Anderson:** Are you seeing a difference in the next generation? Do you see a different impact on the young people from when you first arrived?

**Mr. Gordon Macdonald:** I think so, but I actually think more young people are looking to leave than to stay.

**Mr. David Anderson:** So as they get education, they tend to leave their communities?

**Mr. Gordon Macdonald:** That's correct.

**Mr. David Anderson:** I think all of us from rural communities face that challenge.

**Mr. Gordon Macdonald:** Absolutely. The same thing's happening there.

We also face a challenge with professionals, with getting professionals to live in the north where they're really looking for something more urban. In comparison with where a lot of the mine sites could be, Yellowknife's not a bad city to live in.

**Mr. David Anderson:** Okay.

I think we're getting short on time here, so I wonder if the other two witnesses have any comments.

**Ms. Jody Kuzenko:** The only thing I would offer is that it's an issue for us as well, most acutely in our Thompson operations, where we've announced a shutdown of the smelter refinery. We're chronically 12% short of staff there.

We've launched what we call a “grow our own” project that is specifically targeted at aboriginal people and youth and women—untapped potential of approximately, we estimate, 35,000 people. We specifically go into communities and give them some education and awareness of mining.

We also, like my colleague here, encourage people to stay in school. We give them some hands-on process operator information to enable them to make choices to become our future employees.

**The Chair:** Thank you, Mr. Anderson. Your time is up.

We go now to you, Mr. Bevington, and if you leave some time, to Ms. Ashton.

**Mr. Dennis Bevington (Western Arctic, NDP):** Thank you, Mr. Macdonald. I want to thank you for your presentation. Diavik has turned out to be a very good corporate citizen in the Northwest Territories. You went through an extensive environmental assessment process. I was actually engaged in it as a member of the Mackenzie Valley Environmental Impact Review Board.

You brought up some issues. The fish habitat compensation was to create habitat on the side of your dike to improve the landing area. I seem to remember something about that. Perhaps I have that wrong.

On the effluent standards, one of the unanswered questions in the environmental assessment process was on the waste rock degradation and leaching. I think that was something that was unknown at the time of the environmental assessment, because we were moving into areas we were unfamiliar with. Environmental assessment sometimes can't provide all the answers right off the bat.

The closure financial security probably has something to do with the unknown factors that enter into any mining operation in a new area. Don't you agree?

● (0930)

**Mr. Gordon Macdonald:** Yes, I do.

First, on the fish habitat, we have two different compensation programs. The one you're talking about is for in-lake loss of habitat within the large lake itself, within Lac de Gras. The one I was referring to is for the small lakes that are actually on the island.

On the uncertainty, that's absolutely why the Wek'eezhii Land and Water Board granted us a reduction in our closure security deposit. It was for the management plans and the actions we've taken on our waste rock management program, which were uncertain at the time of the environmental assessment. It's why we were willing to accept that higher bond. We said that we would come up with a research program and would come up with management practices that would address it.

**Mr. Dennis Bevington:** Yes.

Now I visited the site before the mine was built. This is a site that had 265 archaeological sites on the island. So it was well used by people through millennia, because it's a very rich area. There were also extensive caribou tracks on the island. The island was riddled with them. At the time, we had a real question about what was going to happen to the caribou herds with the linear expansion of the diamond industry through there. What we've seen since is that the caribou herds in that area have had a precipitous decline, according to the Government of the Northwest Territories. And we've seen reductions in hunting requirements. So when you deal with these types of developments in new areas, there are very extensive impacts you have to look at very carefully.

The last point I'd like to make, and maybe you can comment on it, is that you've decided to build wind turbines, which I think is a fabulous thing you're doing there. But during the environmental assessment process, there was a lack of attention paid to alternatives for energy. You and I know that the major environmental impact of the Diavik mine is the need to import diesel fuel. What we saw with an environmental assessment, even with the intensity you were suggesting, is that some of the answers weren't given. For a government that gets royalties and taxes based on your profit, we kind of missed it on the energy management side in the environmental assessment. We didn't look at hydro. We didn't look at wind.

I'm just trying to make the point to you that environmental assessment, don't you agree, is important to do right. It's important to examine all the issues. It's not a certain science.

**Mr. Gordon Macdonald:** I absolutely agree. In our case, we actually looked at wind and hydro energy at the environmental

assessment stage, and they weren't economically viable. In fact, if we —

**Mr. Dennis Bevington:** I beg to differ. Hydro was not considered. We were not allowed to present on that particular one.

**Mr. Gordon Macdonald:** Sir, we looked at hydro.

**Mr. Dennis Bevington:** But it wasn't part of the environmental assessment. The alternatives weren't in the environmental impact statement.

**Mr. Gordon Macdonald:** I'd have to check to confirm that. We did look at it.

On the wind side, we have looked backwards. We only have 10 years of mining left, and we're putting in wind power now. If we'd done it earlier, it might not have been the right technology. There has been a technology change in the last 20 years, as well.

**The Chair:** Ms. Ashton, go ahead.

**Ms. Niki Ashton (Churchill, NDP):** Thank you very much.

My question is for Ms. Kuzenko.

As you might know, I am proud to represent Thompson, which is actually my hometown as well. Vale bought out Inco, the mining company as a result of which Thompson was created, and we worked quite closely with the company.

We've seen some challenges—loss of purchasing jobs, loss of payroll jobs—and of course on November 17, 2010, we had a devastating announcement about the closure of the smelter and the refinery, and the loss of our value-added jobs through that. My position as MP, and the position of the people of Thompson, has been that value-added jobs are an integral part of the operation, given that they come from the mining wealth that exists in the community and under the ground we walk on.

We were concerned that the federal government was involved as well, through the \$1 billion low-interest loan through Export Development Canada. That is something that's been raised on numerous occasions.

I understand there are some potential new developments, and some discussions. I'm wondering, to what extent is Vale committed to ensuring value-added jobs are created at Vale in Thompson?

● (0935)

**Ms. Jody Kuzenko:** I would say we're highly committed, and that's not just lip service. In Thompson, regrettably we did have to announce the closure of the smelter and the nickel refinery, in no small part because the feed from our Voisey's Bay operation was going to be processed at our Long Harbour hydromet plant. The economics of bringing feed from Voisey's all the way to Thompson for smelting and refining just wasn't viable, quite apart from the air emissions issues we were facing federally in Thompson.

Transitioning to a mine-mill operation there is something we take very seriously, which is particularly focused on our employees there. Our Thompson operation, as you may well know, is very much like a family. We don't want to see job loss there, which is precisely the reason we're looking at such a significant investment in our 1D mine. One billion dollars is a lot of money. We're at the latter stages of making these decisions.

**The Chair:** Thank you.

Ms. Ashton, your time is up.

Do you want to finish, Ms. Kuzenko?

**Ms. Jody Kuzenko:** The thing I would close on is that our economic development working group is specifically aimed at ensuring jobs are created in Thompson for years to come.

**The Chair:** Okay. Thank you.

We go now to Mr. McGuinty, for up to seven minutes. Go ahead, please.

**Mr. David McGuinty (Ottawa South, Lib.):** Thanks, Chair.

I'd like to come back to the topic today, which is actually regulatory reform.

Thank you all for coming and being here.

I'm hoping to get your insight as practitioners on the front lines: Ms. Briño, as a member of a trade association; Ms. Kuzenko, as a practitioner who is shepherding through applications; Mr. Amos, as a person who participates in EA processes and examines regulatory reform from the ground up; and Mr. Macdonald, as someone who has been through this process and is still in the midst of it.

I'm going to ask a couple of snapper questions first.

I'm going to turn to you, Mr. Amos. The government has been trying to justify a lot of the changes it brought to bear in the budget by whipping up a very unfortunate campaign, trying to level unfounded accusations against environmental groups in the country.

It's the worst kind of despicable targeting that I've seen in my 27 years of working in this field. Mr. Amos, is your group a radical group? Do you receive money, for example, from.... Are you laundering money? Is Ecojustice laundering money from the United States?

**Prof. William Amos:** I appreciate the leading question.

**Mr. David McGuinty:** Give me a leading answer.

**Prof. William Amos:** I'll be frank. Internally Ecojustice has found the government's approach on this issue of charitable activities by the environmental community to be offensive.

Ecojustice has been around for 20 years, and 75% to 80% of our budget comes from average Canadians. We don't accept government money. We accept very little corporate money, because our corporate screen is so tight. We do accept some U.S. foundation money. I think it might be 2% or 3% of our budget.

It just strikes us as more than rich...it strikes us as a frontal attack on civil society when responsible groups who work hard and who aren't paid a fortune to represent, for free, community groups, first nations, municipalities, and individuals across the country, are subjected to this kind of treatment.

That's an honest reaction. We don't have an interest in playing politics on this issue. We would really rather it went away.

**Mr. David McGuinty:** Right.

I heard recently from the executive vice-president of CARE Canada, who was positively despondent. They're the single largest recipient of American money in the NGO world.

I'm not sure why the government is pursuing this. I'm hoping they're going to stop, now that they've managed to ram this through in the budget document.

I want to turn to Ms. Kuzenko, if I may, for a second. You've just inked a number of agreements. You're an operator in a lot of rural areas. You've just signed an impact and benefit agreement.

How does Vale, your board, and how do your shareholders—your management team, for example—see the role of environmental NGOs in the process? Do you believe they're a hindrance, they're partners, or do you believe they are a force to be reckoned with? How do you see it?

● (0940)

**Ms. Jody Kuzenko:** I personally believe that NGOs are an important part of the process. They bring a sense of independence and a different lens on the assessment, permitting, and regulatory approval processes.

We spend a lot of time with NGOs. We have formal what we call "kick the tires" tours so that people like Mr. Amos can come to our operations and learn about who we are and what we stand for as an operation, and we can develop I think some common ground and mutual understanding.

I don't think Mr. Amos doesn't want mining. I don't think his group doesn't want mining. I don't think NGOs don't want mining. I think we all want to do it responsibly, and there is more common ground there than there are differences.

**Mr. David McGuinty:** So let me ask both you and Ms. Briño to respond to this. In the 21st century, if you're looking to do business in Canada, for example, or more importantly, if you're looking to do business outside of Canada, isn't it really widely understood now in the mining sector that the higher the environmental performance the more competitive you actually are, particularly in foreign jurisdictions?

Can both of you help us to understand that?

Ms. Kuzenko, first.

**Ms. Jody Kuzenko:** I completely agree with that. We view environmental performance and environmental responsibility as a key competitive advantage. It's one of the reasons for a \$2 billion spend on an environmental project.

We report out against the Global Reporting Initiative—a GRI index specifically designed to report apples-to-apples comparisons on environmental performance against major industry players. Investment firms are making investment decisions based on our performance on the GRI index, so there is no question in my mind about that. Environmental responsibility is a competitive advantage, and in this day and age, as we're developing the next generation of miners, it is critically important to recruitment and retention.

**Mr. David McGuinty:** Ms. Briño.

**Ms. Karina Briño:** I can only echo that. In terms of what the mining sector and the mining industry are doing today, we do want the best environmental scientists working for our companies and for our sector as well. The mining sector does care about the environment, just as anybody else does. We don't want to go in there creating a disaster. It does not make business sense.

In terms of our work with environmental groups, my role is that of community engagement and relating to the media as well. That has allowed me to develop relationships with organizations and groups that I wouldn't have normally talked to before, groups like the David Suzuki Foundation, CoalWatch on Vancouver Island, and the West Coast Environmental group, because we need to be able to sit down and have a conversation about how we do responsible development.

So our commitment is there. I think it is getting better in terms of our direct relationship as well, and we need to stop talking about mining and the environment as if they were in confrontation.

**Mr. David McGuinty:** Mr. Macdonald, the parent company—forgive me—involved in your operation again is...?

**Mr. Gordon Macdonald:** Rio Tinto is one of our owners.

**Mr. David McGuinty:** Right, and they're a pretty big global player, aren't they?

**Mr. Gordon Macdonald:** That's correct.

**Mr. David McGuinty:** I used to act for Rio Tinto, and I learned long ago that Rio Tinto actually tries to abide by an international standard wherever it operates. It tries to pull up standards and base itself in part, like Shell does, on the highest standards in the jurisdiction where.... You follow my logic.

I'm not sure if you were there at inception, but when Rio Tinto began its negotiations with respect to this project, did it import its highest standards and bring them to bear on this project?

**Mr. Gordon Macdonald:** Yes, we had numerous reviews from Rio Tinto to try to ensure that the standards we were implementing into the design and planning for the mine met Rio Tinto's standards. We were all on the same page on that one. They were very much looking for a world-class operation. New mines are an opportunity to get it right.

**The Chair:** Thank you, Mr. McGuinty. Your time is up.

**Mr. David McGuinty:** Thank you, sir.

**The Chair:** We'll go now to Mr. Daniel for five minutes.

Go ahead, please, sir.

**Mr. Joe Daniel (Don Valley East, CPC):** Thank you very much, Mr. Chair.

Thank you, witnesses.

I'm going to follow up on the question from my colleague Mr. Anderson and really look at what benefits there are to the aboriginal communities in these remote places, because clearly they need to benefit from the extraction, from mines, from minerals, etc. So the question is, really, what experience has there been in terms of aboriginal communities getting involved in benefiting from the resource development, particularly your mine extraction?

Anybody...?

**The Chair:** Go ahead, Mr. Macdonald.

**Mr. Gordon Macdonald:** I can start.

There are two avenues for engagement. One is through direct employment, which we have been quite successful with.

The other one, which I think is even more successful, is through aboriginal businesses. We spend a lot of time trying to break up our procurement and our contracting to enable smaller contracts, to help develop aboriginal businesses. They have been very successful. They're starting to work outside of our employment and in other mines and have even started to look internationally. I think that kind of business development with aboriginal communities is probably the most long-lasting opportunity for them.

● (0945)

**Mr. Joe Daniel:** Okay. Anybody else?

**The Chair:** Ms. Kuzenko, go ahead please.

**Ms. Jody Kuzenko:** Our operations have had tremendous success with aboriginal development, most specifically so with our impact and benefit agreement in Voisey's Bay. Fifty-five per cent of our employees there are from the Innu and Inuit first nations. Many millions of dollars go to their communities for providing services to our operations.

We believe that our role in aboriginal development is capacity building wherever our operations have an impact on their way of life. So we favour employment opportunities, education opportunities, contracting opportunities over cash payments with our aboriginal partners. In our view that's a way that we can contribute to the sustainability of the first nations community after the mine shuts down.

**Ms. Karina Briño:** The only thing I would like to add is that I think the industry is assuming its responsibility as well in terms of creating capacity in the aboriginal communities themselves. I think it is important to ensure that the people representing their bands have the knowledge and expertise to be able to comment on and review applications that are being put forward to them, for example. That's not only for the mining sector, but for all sorts of other activities as well. They need to have the ability to respond to the demand in terms of reviews. I think it is important that we contribute to creating that capacity as well. I just have to echo what's been said until now.

**The Chair:** Mr. Amos.

**Prof. William Amos:** I'd simply like to relay the experience from the National Energy Board's Arctic offshore review in which it was very clear that communities and organizations such as the Inuvialuit Regional Corporation and the Inuvialuit Game Council were very concerned about the employment benefits and the training benefits that would flow from potential offshore development, in comparison with the risks that their communities would be faced with in the event of a blowout.

The offshore industry is a very technical industry. It's quite normal for many people who are working on the rigs to be brought from far away. I think the issue of training and employment in Arctic communities as regards offshore development is a critical one, and Ecojustice is not necessarily the appropriate organization to comment upon it. I think that it does speak to a broader need to go slowly so that if there is going to be drilling, the employment benefits and the training benefits accrue to northerners. One doesn't have to be a northerner or a representative of a northern organization to see the merit in that approach.

**The Chair:** Mr. Daniel, you have about 30 seconds.

**Mr. Joe Daniel:** I have one quick follow-up question on that. Quite often when we have heard from witnesses, we've all been talking about what I would call the lower-level jobs. What are your companies doing in particular to promote—not promote in terms of a job—to actually ensure that some of these indigenous peoples actually get opportunities in supervisory and management roles?

**Ms. Jody Kuzenko:** I'll take that one. We have a very specific example at our Voisey's Bay operation. For the first time we have just promoted an Inuit individual to the level of manager. We specifically target these people for outside-work-hours education in our Voisey's operation. That's one of the things we're doing to ensure that people aren't relegated to lower-level positions just because of their social status.

**The Chair:** Thank you, Mr. Daniel.

We go now to Mr. Trost for up to five minutes.

Go ahead please, sir.

**Mr. Brad Trost (Saskatoon—Humboldt, CPC):** Thank you, Mr. Chair.

A very interesting phrase was used by Ms. Kuzenko when talking about Vale's use of capital, and that was capital paralysis. I was thinking in particular that you're an international company, so here's a question for you. When it comes to allocating resources around the world—wherever it is, whether Brazil or Toronto—and they sit down and say they're going to spend  $x$  number of billions of dollars. How much does regulatory paralysis come into the decisions as far as allocating capital goes? When they go through the process to decide where they're going to put the money for the next mine, where in that process are regulations?

• (0950)

**Ms. Jody Kuzenko:** I would say the two considerations are inextricably linked. When a company decides that it wants to spend significant dollars, particularly in a global economy that's a little bit uncertain at the moment, we require a regulatory framework that provides some certainty of compliance now and compliance in the future. So if we have an air emissions framework that sees this perpetual movement down to zero when we're making a \$2 billion investment in our Sudbury operations, and we have a provincial regulatory framework in that domain that is extremely complex and extremely uncertain, and the federal government come in with its BLIERS, for example, that creates a lot of uncertainty when you go to a board of directors and you say, "Can I please have \$2 billion?" and they say "For what?" and you say, "To retrofit our smelters so that we're compliant with the law", and they say, "After that's spent, will you be compliant?" and you say, "I don't know". That's the kind

of paralysis I'm talking about, and that's the kind of certainty we're looking for from government at all levels.

**Mr. Brad Trost:** One of the things, of course, is in comparison to what?

You've had experience around the world. We have political stability in Canada. Putting a project in Venezuela will have its own set of challenges. In comparison to other jurisdictions in the world, how does Canada rank? Internally, have you had different experiences inside Canada? Someone expressed to me a couple of days ago that what the government is really looking at doing is taking the Yukon model and expanding it to the entirety of the rest of the country.

Have you had experience with very productive jurisdictions in Canada? What jurisdictions around the world have you had productive regulatory experiences with?

**Ms. Jody Kuzenko:** I would say in answer to your first question, to give credit where credit is due, Canada ranks relatively well in terms of government and regulatory frameworks around the world. We have a stable political framework.

We're going into countries in Africa. It's a lot more unstable there. There's a lot more uncertainty politically and from a regulatory perspective. Brazil is the same. There's a lot of regulatory layers that need to be navigated through.

I would say our experience is that while Canada does require improvement, certainly it is one of the leaders in the pack.

**Mr. Brad Trost:** Mr. Macdonald, you have a mine up and running in the Northwest Territories. From the last three witnesses we've heard that Yukon, the Northwest Territories, and Nunavut are three different planets, with Yukon being where people, by and large, have seen the best experiences.

From your experiences in the Northwest Territories, what would you change? Based on your experiences and the history of your business there, what would you recommend be changed as far as regulations and the way the federal government deals with regulations are concerned?

**Mr. Gordon Macdonald:** I think the biggest challenge in the Northwest Territories is the role of Aboriginal Affairs and Northern Development Canada and whether it's being devolved or when it will be devolved to the Government of the Northwest Territories.

Right now, Aboriginal Affairs and Northern Development Canada has had a central role in just about every regulatory decision. They either need to take a very strong leadership role and clarify the regulatory process, or devolve it to the Northwest Territories and help them create the same thing. I think they need that certainty of who's driving that ship. I suspect that's why Yukon has been successful.

**Mr. Brad Trost:** Have you had any experience in any jurisdiction other than the Northwest Territories with Diavik, or have you stuck to the one project?

**Mr. Gordon Macdonald:** That's the only project within Rio Tinto. I have worked in Alberta on regulatory environment.

**Mr. Brad Trost:** Okay.

In your other experiences with other companies you haven't had any jurisdiction experience.

**Mr. Gordon Macdonald:** No.

**Mr. Brad Trost:** Okay.

I have one last question for the Mining Association of British Columbia.

You're somewhat different from the territories. From your experience, does it work well between the province and the federal government with jurisdictional overlap? Are we at the proper place where we are now, or are changes such as moving to, again, the Yukon model what you would like to see more of for British Columbia and the British Columbian industry?

**Ms. Karina Briño:** Absolutely. The mining sector in British Columbia has been talking to both levels of government, the provincial and federal governments, for a very long time about what we used to call harmonization. There is tremendous duplication in the process. A lot of the time even the same experts, the same scientists, are looking at the same information with a different requirement in terms of whether they're reporting to the provincial level or the federal level.

This is something we're very encouraged to see. I believe it's actually going to allow the experts to be more focused in their review of the projects, because they won't be going back and forth between themselves. It's going to be one review for that particular project.

We're certainly encouraged to see how this is going to be rolled out and implemented. It isn't 100% clear to me that we have the answer to how it's going to be decided, as to whether it's going to be a federal or provincial review, but part of the opportunity we have going forward is to have that conversation.

We're very much interested in seeing that one-window approach. Yukon does provide a very good example for that. We do have a different reality in B.C. with first nations. I think there are 203 first nations that we have to work with. The Yukon model is not necessarily that easily transferable to British Columbia, but the concept is something that we support.

• (0955)

**Mr. Brad Trost:** There's a scalability.

**The Chair:** Thank you, Mr. Trost.

We go now to Ms. Ashton for up to five minutes.

**Ms. Niki Ashton:** Thank you very much.

I wanted to pick up on your comments, Ms. Kuzenko. I'm very encouraged by your clear commitment to ensuring the creation of value-added jobs at Vale in Thompson, in light of the announcement that took place, of course.

I just wanted to go back to a couple of points you raised. In fact, the ore from Voisey's Bay that has been processed is less than 50% of the Thompson operation. The rest is actually ore from Thompson itself. While we all agree that Labrador should be able to process its own ore, we believe that Manitoba should process its own on its own territory, of course.

With respect to emissions, as you might know, the idea of working in Manitoba makes good business sense because of the reliance on hydroelectricity. Therefore, there are much lower carbon emissions than in other jurisdictions. Of course, added to that is a very competitive price. They have some of the lowest electricity costs in the world, frankly. These are some of the things Vale knew they were taking on as a result of buying out Inco. They were definite selling points for Inco for many years, and we'd like to see them continue to be as Vale continues to work in our communities.

I don't want to pre-empt the discussion. The Premier of Manitoba is actually going to be in Brazil this week meeting with the CEO of Vale. He will be echoing the message that value-added jobs are so critical.

Here we are talking about mining in the north. If we're talking about the importance of employing people, including aboriginal people, let's be frank. Beyond actually mining underground, some of the best jobs are value-added. They are less so in the service sector. Maintaining these value-added jobs allows for employment opportunities for people—aboriginal and non-aboriginal people—in northern Canada.

What I'd also add before going back to my question is that we're seeing serious commitments from other mining corporations. Hudbay has made incredible investments there in terms of a zinc find and the quick development of a mine just dozens of kilometres down the road from Vale. So there are a lot of opportunities to partner. There are a lot of opportunities to look at how value-added jobs can be maintained.

To what extent is Vale prepared to commit to not only ensuring value-added jobs but to sitting down with the province—recognizing that resources are actually under provincial jurisdiction—and the city about the mechanics of finding a solution, a solution being value-added jobs at a Vale operation in Thompson, Manitoba?

• (1000)

**The Chair:** Ms. Kuzenko, go ahead, please.

**Ms. Jody Kuzenko:** Now there's a leading question.

I would say that if your minister is speaking with our CEO this week, that demonstrates a commitment to sitting down and having a dialogue. I'm aware of many conversations that have taken place with the Thompson community, the government at the municipal level, and the government at the provincial level in which we have again and again reiterated our commitment to maintaining value-added jobs in the city of Thompson. I don't believe that the smelter and refinery shutdown is the beginning of the end of our Thompson operations. I sense that this may be a catalyst for some of the concerns.

I am slightly concerned about this notion that resources produced in a province need to be smelted and refined in that particular province. I think that a province holding onto those resources drives some unintended consequences, shall we say, from our perspective federally or nationally. I think that kind of logic could be problematic.

When I was talking about air emissions, I wasn't talking about GHG specifically. I was talking about SO<sub>2</sub> and nickel and CEPA toxics. While that certainly wasn't the primary driver for shutting down the smelter refinery, it was a consideration.

So yes, open dialogue is an important part of what we do. We're not forecasting job losses as a result of the shutdown. As we say, we're moving gracefully into a mine-mill operation. We'll continue to dialogue with the community and governments at all levels to make that go.

**The Chair:** Thank you, Ms. Ashton, your time is up.

We go now to Mr. Strahl for up to five minutes.

Go ahead, please, sir.

**Mr. Mark Strahl (Chilliwack—Fraser Canyon, CPC):** Thank you, Mr. Chair.

And thank you for recognizing me even without a tie this morning.

**The Chair:** Now I have to take it back. Next.

**Voices:** Oh, oh!

**Mr. Mark Strahl:** Being from British Columbia I'm not a regular member of this committee, but I'm happy to be here today with the Mining Association of British Columbia here. My riding has the Bralorne mine up in the northern part of that. There's talk of the reopening of Carolin mine in the Hope area because of the price of gold. Definitely the people of Hope are hoping for that because they've seen, as natural resource jobs have dried up over the years, an actual reduction in the number of people living in their community. So there's great hope in the north of my riding for economic development from natural resource development, and certainly they've welcomed the changes in Bill C-38.

I wanted to talk to you about the National Energy Board review process. We've heard, on the long end, things like the Mackenzie Valley pipeline, and how many years that took to go through. I'm wondering if you can give some examples of the lengthy National Energy Board review process and whether you think that 24 months is a sufficient time for public input, scientific review, industry input, and what effect that will have on the mining industry in British Columbia.

**Ms. Karina Briño:** I have to say that unfortunately I'm not able to speak to what meets the National Energy Board process. I don't have first-hand experience that I can relate to you. I apologize for that.

I can speak, though, in terms of what mining projects go through when it comes to the regulatory process, and what timelines actually do to us. Again, this is not just about the federal environmental reviews, it's also all of the provincial requirements that need to be met.

As we look at the changes and what the new model is going to look like, one of the things that we need to also keep in mind is that there is going to be an increased expectation on the proponent side to be absolutely ready to enter the process when the clock kicks in. Until now there has been a lot of back and forth, and sometimes it is the proponent's responsibility to actually go back and do more homework and do more research and provide more information.

With this change, with this new model, as I said, the onus will be on the proponent to be absolutely ready.

Do I agree with the timelines, the one year and the two years? Absolutely, because it's going to mean more work for us at the onset as well. The Red Chris mine, which was just permitted in British Columbia, for example, is a very good case study in terms of how long it can take to get a mine permitted in B.C. The environmental assessment certificate was issued a few years ago. They just got the Mines Act permit. Two years to build. It's not going to be in operation until 2014. That mine should have been operating a long time ago.

● (1005)

**Mr. Mark Strahl:** Thank you.

Forgive me, it was the environmental assessment process I was referring to.

One of my cousins, actually, has gone through the UBC mining program. At the time, when he started it five years ago, I had no idea what he was doing. It wasn't something that people in the southern part of British Columbia, where I'm from, typically go into. Of course, now I see, with the average salary of \$115,000, why he's perhaps smarter than I am—

**Voices:** Oh, oh!

**Mr. Mark Strahl:**—in going into that field.

We're talking about mining in the north. What efforts is the mining association making in the south of British Columbia, where the population is concentrated, to reach out to high school students and say to them that this is a great career and to consider going into the industry? As you've said, there's going to be a massive requirement for human capital, and I'm just wondering what programs are out there to reach out to people like my cousin, who obviously got the message somehow. I'm just wondering what the program is there.

**The Chair:** Ms. Briño, a 30-second answer, please.

**Ms. Karina Briño:** Okay.

Through the mining association, there is a K-to-12 program. Companies take busloads of kids to the operations, to teach them what mining is all about.

There are several other programs in the vicinity of the Lower Mainland where they get first-hand experience as to what mining is all about. They also work with the teachers, so teachers have complete packages of information they can pass on to the children in their classrooms.

**The Chair:** Thank you, Mr. Strahl.

Monsieur Gravelle, up to five minutes, please.

Go ahead.

**Mr. Claude Gravelle (Nickel Belt, NDP):** Thank you, Mr. Chair.

For the benefit of Mr. Strahl, I'd like to tell him that he makes quite a bit more money than his cousin in British Columbia. He doesn't wear a suit and tie to go to work, and he doesn't work in an air-conditioned office.

It's good that he's making that much money when you take the work environment into consideration.

**Mr. Royal Galipeau (Ottawa—Orléans, CPC):** He doesn't have a secure job, though.

**Mr. Claude Gravelle:** Ms. Kuzenko, Vale, formerly Inco, has done a lot of improvements to the environment over the last several years.

For the benefit of my colleagues, can you give us a brief overview of what Inco, Vale, has done to improve the environment over the last several years?

**Ms. Jody Kuzenko:** Yes. Thank you for that opportunity.

The issue of air is getting most of the airtime these days, pardon the pun. We're spending a lot of money to reduce sulphur dioxide emissions, nickel emissions, and CEPA-toxic metals. With less contaminants going into the air environment, that creates the opportunity for us to do a lot of work on soil and water in the Sudbury basin.

We are really quite busy, and have been for many years, regreening Sudbury. It's a national story that we wear with pride.

For those of you who have had the opportunity to visit recently... Compared to what it looked like when I grew up there in the 1970s, it used to be what they called a moonscape—barren rock. Our open roast yards and our smelting processes would emit contaminants into the air that virtually decimated everything in their path.

We've embarked on a very aggressive program of aerial seeding, community regreening, biodiversity action plans, and have spent countless millions of dollars doing that. It's something we're very proud of.

As I said, because of our air emissions reductions the lakes have come back to life. This calendar year, we've raised fish in our greenhouses. We raise something like 250,000 seedlings each year, to plant them in areas where we once left a negative legacy.

This was our first year for raising fish. So we pull up ore and we raise fish, and have restocked a local river in the area with some 200,000 fingerling trout. We're going to be moving that aquarium underground next year, and it's something we're very excited about.

We continue to work at it piece by piece, with the overall mantra of leaving a net positive legacy in the communities in which we operate.

• (1010)

**Mr. Claude Gravelle:** Thank you.

I'm going to ask you a yes or no question. I'm also going to ask you a follow-up question to give you a chance to expand.

Do you believe companies have a corporate responsibility to clean up their sites?

**Ms. Jody Kuzenko:** Yes.

**Mr. Claude Gravelle:** Why?

**Ms. Jody Kuzenko:** We made the mess.

**Mr. Claude Gravelle:** Thank you.

I believe it was Mr. Amos who said that with the environmental assessments some of the rules are known after the fact, when the mines or sites are started. We've heard several times during our meetings here, from various companies, that if the government told them what the rules were they would follow them and budget accordingly.

Do you believe that if the companies knew the rules before they started that it would be profitable to them?

**Prof. William Amos:** Speaking specifically to the issue of offshore drilling, I have no doubt that the major oil companies that are capable of making the investments necessary to engage in exploration and eventual production activities have the capital to finance whatever form of regulatory process is required, prior to going into production and profiting. I don't think that's the issue for them.

I think that, yes, if the rules are made clear from the beginning, then they will follow those rules and they'll abide by the process. The critical point I was making was that the process is insufficient with regard to offshore drilling. Prior to issuing exploration licences we need a broader process, a strategic process that allows for the identification, for example, of areas in the Beaufort that ought to be protected. One ought to know where you should not drill prior to issuing rights to drill. It simply makes no sense.

There are processes under way in the Beaufort, but there remains a gap with regard to broad, strategic environmental assessment prior to the issuance of exploration licences. That's necessarily going to, in my opinion, cause challenges down the line when there are areas where rights have been issued but community groups and environmental groups say, "You've issued a licence there, but this is right beside where the belugas come." In my opinion it will slow things down.

So I think that if there is an investment made in a comprehensive process early on, the ultimate result is more responsible and more profitable development later on.

**The Chair:** Thank you, Mr. Gravelle.

We go now to Mr. Allen, for up to five minutes.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you very much, Mr. Chair.

Thank you to our witnesses for being here.

I'd like to start with Ms. Kuzenko and Mr. Macdonald.

I don't think anybody has brought this up before, but in regard to the major projects management office and the northern projects management office, have either of you or your companies had any dealing or interface with those organizations in terms of the regulatory process as a way to make them more efficient?

**The Chair:** We will start with Mr. Macdonald. Go ahead, please.

**Mr. Gordon Macdonald:** Actually, our development came after the major project review office, so we haven't had an opportunity to interact with them yet.

**Mr. Mike Allen:** Thank you.

Ms. Kuzenko.



**Ms. Jody Kuzenko:** The same reason.

**Mr. Mike Allen:** Thank you.

Mr. Macdonald, I appreciated your comments on subsection 35(2) of the Fisheries Act and some of the challenges with respect to habitat. Having worked on construction projects before, I've been involved in some of the habitat compensation issues and know some of the challenges there may be in getting consistent interpretation out of DFO. It's hardly the Holy Grail that everybody perceives it to be.

Can you talk a little bit with respect to your suggestions for perhaps some of the regulation with the new legislation?

I would look for some input from Ms. Briño and Ms. Kuzenko on this as well. When it comes to habitat, what do you see as the next step now that the legislation will be passed? What are some of the regulations that would be helpful with respect to habitat and your requirement when habitat is damaged for commercial, recreational, and aboriginal fisheries? Just exactly how would you see better regulations on that front?

• (1015)

**The Chair:** Mr. Macdonald, go ahead, please.

**Mr. Gordon Macdonald:** I think the biggest, from a northern perspective, is to have some flexibility. Don't try to look at a solution that fits all of Canada the same way. I think the north has some different applications. So build in the flexibility to come up with flexible solutions that work locally, and particularly to address local concerns.

**Ms. Jody Kuzenko:** I couldn't agree with that more.

Having done a regulatory pathway on fish habitat with a one-size-fits-all approach, it's no different from first nations consultation. It won't work.

I think government needs to build a framework and a path that enables industry, local communities, and aboriginal groups to come up with solutions inside some defined boundaries. But a one-size-fits-all approach won't work in that circumstance.

**Mr. Mike Allen:** Okay, thank you very much.

Ms. Briño.

**Ms. Karina Briño:** It would be the same. Site-specific is important to us, and also very clear definitions as to what that means.

**Mr. Mike Allen:** Yes, a regulatory framework gives us a little bit more flexibility to do that.

Ms. Briño, in your presentation you said that 59% of your net revenues are coming from coal. I was interested to see that number. As well, 5% is thermal, and 95% would be for steel and....

Where is the market for those two, because I've been reading a lot lately that, especially in the U.S., there is a big dynamic in the big coal-producing states like West Virginia and Kentucky that actually with coal use for electricity generation going down quickly, a lot of jobs are being lost. I'm trying to look at the long-term prospects for coal in B.C. Typically, do you see it as positive because the coal is going to be used for steel?

**Ms. Karina Briño:** The story in British Columbia right now is coal, primarily metallurgical coal. We produce a minimal amount of

thermal coal, and it goes to the U.S. For met coal, our primary customer is China. China and the Asian markets are really the places where our product is going.

We have tremendous potential in the northeast. It is being looked at. We have several projects in process right now. Most of the southeast operations right now are looking at expanding or are revising their opportunities for expansion. So coal will continue to be one of the primary commodities in B.C.

Metal production is going down. We've had a couple of mines shut down. With some of the new ones coming up, metal production will increase, but the story will continue to be coal.

**Mr. Mike Allen:** As a follow-on to that, have you seen a difference in the regulatory process for the different kinds of mines, whether they be coal or other metals or something else?

**Ms. Karina Briño:** Certainly our members are getting a lot more savvy in terms of anticipating what's going to be asked of them as they enter the regulatory process. So I think we are doing a better job of producing as much upfront information as we can.

There is still the tendency to be asking for information at a very early stage when it's not really available or when we won't even know the information until much later in the process. There are still some inconsistencies and some issues in the process, and not necessarily in the legislation.

What we're focusing on right now is having a very clear understanding of what the new legislation says so that when the regulations are built, we can anticipate how to better fit that model.

**The Chair:** Thank you, Mr. Allen.

**Mr. Mike Allen:** Thank you.

**The Chair:** We go now to Ms. Liu, for up to five minutes.

Go ahead, please.

[Translation]

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Thank you to all the witnesses.

My questions are mainly for Mr. Amos.

We know that climate change has had a big impact on the Beaufort Sea in particular. We have seen a record number of storms over the past decade, more than all the storms over the past thousand years. In terms of development in that area, can we be sure that we are keeping in mind that the climate is changing a great deal?

• (1020)

**Prof. William Amos:** In northern communities, climate change effects are being felt day after day. There is the permafrost. The ice in the Beaufort Sea is melting, thereby changing the habitat of animals and fish. As a result, the region's economy is changing, because ships can now pass through there. Those changes have an impact not only on the environment but also on the culture and economy.

Northern governments and the federal government are faced with a big challenge. They have to develop an infrastructure that enables us to adapt to those changes. In light of available funding, the north cannot adapt to those rapid changes.

**Ms. Laurin Liu:** In your presentation, you talked about the spill in the Gulf of Mexico. What lessons can we learn from that? What can we learn from the environmental assessment process in that incident?

**Prof. William Amos:** That is a good question. The presidential report that was produced after the spill had a number of major conclusions, but the most obvious conclusion we can all draw is that deregulation was one of the main causes for that incident.

Whether we are talking about environmental impact studies or authorization and permit processes, if the regulation processes are eliminated regardless of other protection standards, Canadians are going to pay the price, not only in the communities affected by the spills, but also for restoring the environment.

Companies definitely have legal responsibilities. For instance, BP will have to pay \$40 billion. We will see what is going to happen with that lawsuit. At any rate, investing in the industry regulation process is definitely worthwhile.

**Ms. Laurin Liu:** Thank you.

My colleague Mr. Strahl talked about the deadlines for environmental assessments. In your view, what are the main reasons that delay environmental assessments? Is it because of consultations or other factors?

**Prof. William Amos:** I think that Ms. Briño's answer gave us a rather clear idea of the problems we have seen, in particular the fact that companies were sometimes not really ready to get involved in the environmental impact assessment process.

[English]

Often companies have come unprepared for an environmental impact assessment. This isn't necessarily large multinational companies; they are typically well prepared. Oftentimes companies, particularly the smaller ones, haven't done all the necessary studies and are requested by panels to go back and provide complete information so that their project can be assessed. That is what causes delays.

There is great politics being played right now around the impact of consultation on timelines. Clearly, that issue is centred around Northern Gateway. Leaving aside that particular issue, it is not consultation that is slowing processes down. Oftentimes it is companies that simply haven't done their homework prior to the environmental assessment process being undertaken.

• (1025)

[Translation]

**The Chair:** Okay.

Thank you, Ms. Liu.

[English]

We now go to Mr. Daniel for the final round of questioning.

**Mr. Joe Daniel:** Thank you, Mr. Chair.

My question is for Mr. Amos.

Forgive my ignorance, but I was wondering if you could use the term "social licence". Could you define that? Who has defined that? How are these organizations implementing that?

**Prof. William Amos:** Thank you, Mr. Daniel. It's a good question.

Social licence is one of 2012's most popular buzzwords. It falls, I think, into the category of terms like "responsible resource development" and "sustainable development", which are eminently political and which these representatives of associations and companies are best positioned to define. Ultimately, it comes down to communities, be they local, regional, or national, and individuals buying into the social, economic, and environmental upsides of the projects in question. If there isn't buy-in, then ultimately, the project is going to cause more friction, and it's going to generate a net negative result in the eyes of the public.

It's impossible for anyone to say that a given company or a given project has social licence according to metrics X, Y, and Z. There are certainly processes available, particularly certification processes. Ms. Kuzenko mentioned the GRI process. There are different processes available that may help companies garner what is perceived to be social licence. But ultimately, it's a perception issue.

I think it behooves this present government to understand that strong federal environmental regulations underpin such social licence to operate.

Right now, I would suggest, looking forward to a storm cloud on the horizon, we are well aware that there are plans afoot to dismantle, in significant ways, the Species at Risk Act. There will be companies and industry associations that will say very candidly that the dismantling of the Species at Risk Act is going to impact negatively their social licence to operate, because there are going to be international observers, as well as local people, who will ask what's happening to the environment. They will ask how the federal protection regime is ensuring that we don't see the extinction of species X, Y, and Z when this industrial project is presented.

**Mr. Joe Daniel:** Presumably it's beyond just the environmental when we're talking about social licence.

Are there any comments from any of the others?

**The Chair:** Ms. Briño, go ahead, please.

**Ms. Karina Briño:** My preference would be to talk about social responsibility as a component of sustainability. On industry's part, I believe that we are definitely committed to our corporate social responsibility. But I would also like to suggest that government has a social responsibility and communities have a social responsibility. To Mr. Amos's point, I think environmental organizations also have a social responsibility when it comes to economic development and how we do that responsibly.

The concept of social licence, I agree with you, is the flavour of the day, but we don't really know what that means. Do we need permission to be socially responsible? I'd like to turn that around and say let's come to the table and figure out how we actually get this done. None of us is interested in creating a mess. Collectively, we're all interested in figuring out how we create more value and opportunities for Canadians in general.

•(1030)

**The Chair:** Mr. Macdonald, go ahead, please.

**Mr. Gordon Macdonald:** The only comment I'd add is that "licence" makes it sound as if it's something you can actually obtain. I think it's something we all have to earn every day in our jobs. It's a tough business to be in, and it's an ongoing relationship with civil society that has to occur.

**Mr. Joe Daniel:** Thank you.

**The Chair:** Thank you, Mr. Daniel.

I want to thank all of our witnesses here today very much for your presentations and for answering the questions from the committee.

I am going to suspend the committee briefly to go in camera to discuss future business.

I would ask the committee members to allow the witnesses to leave the room, because of course, an in camera meeting is only open to those authorized to be here.

We will suspend for a minute or two, and then we'll come back to discuss future business.

*[Proceedings continue in camera]*

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