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Canada extends exploration tax credit, bolsters financing for environmental agencies

By Jax Jacobsen

The first budget from Canadian Prime Minister Justin Trudeau's administration was unveiled yesterday, with a one-year extension for the Mineral Exploration Tax Credit and promised funds to bolster Canada's environmental assessment agencies.

The METC will remain at 15%, and will cost the federal government an estimated C$20 million in revenues.

For the federal Environmental Assessment Agency, the new budget will allocate C$14.2 million over the next four years to assist the entity in fulfilling its requirements under the Canadian Environmental Assessment Act of 2012. The funds will also enable the agency to expand consultations with the public and with indigenous groups over resource prospects, as well as strengthen compliance and enforcement methods.

The government acknowledged the commodities sector has taken a tremendous hit over the past few years, and may be further weakened by international economic forces.

"Rebalancing in China could result in a sharper-than-expected-slowdown in growth, prompting further volatility in financial markets and greater declines in global commodity prices," the budget noted.

A weaker Canadian currency could also weigh on profits in several sectors.

"There is a risk that the positive effects of a lower dollar on Canada's manufacturers and exporters could take longer than expected to materialize and be less beneficial than anticipated — and that the adjustment process may prove costlier and more challenging than expected," the report added.

In this vein, the budget has extended employment insurance for laid-off workers by five weeks to all eligible claimants. However, those in areas which have been affected adversely by commodity downturns will see their employment insurance benefits extended to an additional 20 weeks. The twelve areas include Sudbury and the northern Ontario region, as well as northern Manitoba, northern Saskatchewan, northern British Columbia, Yukon Territory capital Whitehorse, and Nunavut. Calgary, as well as the regions of north and south Alberta, is also included in the employment insurance extension areas, as is Newfoundland and Labrador.

The budget will also allocate C$10.1 million over the next four years to improve regulatory review processes for resource and infrastructure projects in the north. The funds will be delivered to the Canadian Northern Economic Development Agency to continue its work in the Northern Projects Management Office to improve the predictability and transparency of northern review processes.

The federal government will also allot C$40 million over two years to the Canadian Northern Economic Development Agency's Strategic Investments in Northern Economic Development program. The program aims to support growth in sectors related to resource development, including renewable energies and geosciences.

Investment in Aboriginal communities and in the clean technology sector may have long-term impacts on the mining sector.

The government pledges to spend C$8.4 billion over five years to improve the socio-economic conditions of indigenous people and communities, addressing long-standing water quality issues and poor educational resources, as well as sub-par housing and insufficient wastewater infrastructure.

The budget will also allocate C$15 million over two years to launch a pilot project for Aboriginal skills training.

Improving the status of First Nation communities is a mammoth project, which will likely need even more investment. But with the federal government stepping up to address Aboriginal needs, it may decrease pressure on mining companies to fill the void and provide much-needed funding for communities.

Increased investment in clean and renewable energy may also have a long-term impact on the mining sector, and possibly reduce fuel costs. The budget will allocate C$1 billion over a four-year period to support clean technology in the resource sector, with further details expected to be released in the next few months. Another C$82.5 million over two years for research and development of clean energy technologies is included in the budget.

Though the Liberal budget foresees spending C$11.9 billion on infrastructure in the next two years, the Ring of Fire was left out of the budget entirely. Infrastructure spending will instead focus on public transit programs in southern cities and green municipal projects.

"Budget 2016 makes appropriate investments to enable the continued sustainable development of Canada's mining sector," Mining Association of Canada President Pierre Gratton said in a statement, also praising the budget for its steps towards reconciliation with Aboriginal groups.

Prospectors & Developers Association of Canada's Executive Director Andrew Cheatle said the renewal of the METC would send an important signal to investors.

"The METC helps to fund exploration activities that lead to the discoveries that could become the mines of the future," he said in a statement.

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Saskatchewan top mining jurisdiction in Canada; country falls in global ranking

By Jax Jacobsen

Saskatchewan has retained its position as the most attractive Canadian jurisdiction for mining for the second year in a row, according to the Fraser Institute's Annual Survey of Mining Companies 2015.

Quebec came second, followed by the Yukon Territory and Ontario. British Columbia rounded out the top five Canadian jurisdictions, with Nunavut coming in seventh and Northwest Territories coming in 10th out of the 12 jurisdictions surveyed (Prince Edward Island was not included in the list).

Saskatchewan came in second overall in attractive regions for investment worldwide, nudged only by Western Australia. The only other Canadian province to rank in the Top 10 on this list was Quebec, coming in eighth place.

As for the policy perception index, based on how miners felt about environmental regulations, the legal and taxation regime, and uncertainty around disputed land areas, Saskatchewan took fourth place globally, coming behind Ireland, Wyoming and Sweden. The only other Canadian jurisdiction to come in the Top 10 on this list was New Brunswick.

Of Canadian jurisdictions, the Northwest Territories saw its policy perception index fall the most, dropping from the 47th spot to 58th. Few of the survey respondents contacted by the Fraser Institute had confidence that the territorial government encouraged investment, were dismayed by the lack of skilled workers, and were concerned about duplication of regulatory processes.

British Columbia, which depends on mining for a significant portion of its GDP, has some work to do, the institute said in the report.

"The two policy areas that continue to significantly hamper BC are uncertainty concerning disputed land claims and uncertainty over which areas will be protected," the report said.

On the global scale, Canada ceded the top spot for mining investment to Australia.

Rising mining investment in the U.S. propelled it to third on the list, behind Australia and Canada, while the only two U.S. states which saw their PPI scores drop were Colorado and New Mexico. The states with the best improvement on PPI were Michigan and Washington, with Michigan improving on uncertainty over protected areas and Washington seeing improvements on political stability and labor regulations.

For investment attractiveness, Nevada topped all U.S. states, followed by Alaska, Utah, Wyoming and Arizona.

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National aboriginal board: Northern infrastructure needs new investment strategy

By Jax Jacobsen

The National Aboriginal Economic Development Board released a report earlier this week emphasizing the need to advance infrastructure projects in the north in order to encourage more resource development in the Yukon Territory, the Northwest Territories, Nunavut, Nunavik in northern Quebec, and Nunatsiavut in Labrador.

"Increased infrastructure investments in Canada's North will be vital for getting the resources to market," the report states, acknowledging that the cost of said infrastructure is expected to be approximately 150% higher in the north than in southern Canada.

Aboriginal leaders argue that northern development requires a "Made for the North, in the North" approach that envisions alternatives to current funding schemes. Relying purely on public funds forces northern communities to choose between transportation infrastructure and social infrastructure, they argue, while relying on private investment only results in specific infrastructure which has limited applications outside of resource projects.

Investing in northern infrastructure will bring a boon to both northern economic development and fiscal coffers, the report said. For every C$1 invested in infrastructure, northern territories will receive C$11 in economic benefits and C$11 in fiscal benefits.

So what does the board recommend?

First, the board calls for greater collaboration between indigenous governments and territorial governments in the north, as well as with federal agencies and private investors to better identify projects that would attract private investment to supplement public investment, pointing to the success of the African Infrastructure Project Preparation Facility.

When it comes to financing projects, the report points out that northern communities are not eligible for contributions from the First Nations Finance Authority.

The report also calls for the creation of a new Indigenous investment fund that can use a pooled approach to invest in northern infrastructure.

"The entity would be based on partnerships between multiple Indigenous groups, and set up similar to Infrastructure Ontario as a revolving fund whereby the capital is replenished through the returns on investment, so that it may continue to make investments repeatedly to a series of projects," the report stated.

Though Canada's new Liberal government under Prime Minister Justin Trudeau plans to spend billions on infrastructure, the north will still need a new dedicated fund, the report said.

The New Building Canada Fund will base its funding for infrastructure projects on population, which means northern territories will not receive substantial funding. Only C$1 billion of the C$10 billion plan will be devoted to northern projects.

The board argues that spending on northern infrastructure should be based on a per-hectare, and not per-inhabitant, basis.

Acknowledging that the public purse is limited, the Aboriginal chiefs on the board suggest incorporating a private investment model that takes into consideration the particular conditions of northern life.

Northern territorial and indigenous governments do not have the capacity to manage service contracts for major infrastructure projects which might have a timeline of 30 years or longer, they said. Instead, contracts should be scaled to the capacity of these players. They reference the construction of the Canadian High Arctic Research Station in Cambridge Bay, Nunavut, which was managed by dividing major construction contracts into small, manageable pieces and divided among multiple service providers.

To create a more competitive investment climate for resource projects, companies should receive the equivalent of a tax benefit applicable to private residents living in northern territories. The existing tax deduction for northern residents helps to cut some of the costs of living in the north. The board also pushes the federal government to expand the federal Mineral Exploration Tax Credits to northern territories, and increase the tax credit from 15% to 25% in the north.

The Canadian government has yet to release its plans for infrastructure development, although deficit spending on infrastructure was a major platform on which it campaigned in the October 2015 election. However, northern issues are usually put on the back burner while governments address issues in Canada, due to the region's sparse population and limited political influence.

However, the report does indicate an increasing willingness among northern First Nations to work in concert with mining companies, with the aim of exploiting the region's vast mineral resources while improving the overall economy of the Arctic Canadian region.