



An aerial view of EKATI, the NWT's first diamond mine, and Canada's largest. Mining is NWT's largest employer, accounting for 16 per cent of GDP. Photo: CMAC

# Look to Mining for the North's Golden Opportunity

Pierre Gratton

*How transformative could mining be to Canada's North? Thanks to the discovery of diamonds in 1991, mining has become the largest private sector contributor to the NWT economy, accounting for 16 per cent of the GDP by industry. Mining representatives and policy makers agree that more can be done to seize the incredible opportunities in Canada's North and to contribute to the economic prosperity of our northern communities. In today's investment climate, where global mining investment is highly mobile and competition for it is fierce, it takes much more than rich mineral deposits to build a mine.*

**W**ith Canada now in the driver's seat as chair of the Arctic Council and with a newly-minted Northern Strategy in hand, never has there been a better time for us to assert our nation's sovereignty and enhance the social and economic opportunities of our northern communities at the same time.

The federal government's vision is to create dynamic growth, trade and vibrant northern communities in Canada's three territories. The mining in-

dustry can help turn that vision into reality. When done responsibly and in partnership with northern and Aboriginal communities, mines can be positive catalysts of change well beyond the mine gate. They provide good jobs, lucrative business development opportunities, and useful industrial and community infrastructure and services that would not otherwise exist.

Yet, building and operating mines in Canada's North is easier said than done. While a region rich in resources, it lacks fundamental building blocks for mine development, namely infrastructure and a skilled workforce. So how do we turn the opportunities found underground into positive outcomes above ground? It's worthwhile to examine what successful mining development looks like by shining a light on the thriving mining industry in the Northwest Territories. Using the NWT as a case study, we can understand the vast benefits that can be realized through mining. Finally, we will uncover barriers to new mining development in the region, and discuss how the Canadian mining industry and the federal government can work to overcome these challenges.

How transformative could mining be to Canada's North? Thanks to the discovery of diamonds in 1991, mining has become the largest private sector contributor to the NWT economy, accounting for 16 per cent of the GDP by industry. This is well above the oil and gas, real estate, trade, transportation and construction industries, which, incidentally, also rely on mining activities and products to prosper.

A 2013 report by BHP Billiton, Rio Tinto and De Beers Canada—operators of the NWT's EKATI (now operated by Dominion Diamond Corporation), Diavik and Snap Lake diamond mines—detailed their operations' contributions to employment, business development and community investments. The three mines collectively employed more than 1,500 full-time northern workers as of 2011, 400 more than originally predicted. They have also invested heav-

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ily in skills-training programs, often in partnership with governments, aboriginal communities, educational institutions, and with agencies like the NWT Mine Training Society, which by 2012 had trained more than 1,400 people for well-paying jobs in the diamond mines.

**T**he economic spin-offs of the mining industry are also of enormous benefit to local communities in the realm of business development. From 1996 to 2011, the three operations spent \$12.8 billion to build and operate the mines. Of this, an impressive \$9.25 billion, or 72 per cent, was spent with northern companies and joint ventures, including \$4.2 billion, or 33 per cent, with aboriginal companies. This level of aboriginal business participation is unprecedented in the North.

NWT residents have also indirectly benefitted from the taxes and royalties paid by the mining companies. By the end of 2013, the diamond industry had paid \$3.6 billion in mining royalties and federal and territorial corporate taxes, and this amount is estimated to grow to \$5.6 billion by 2020. These funds ultimately help support community services like education, health care and social programs.

Considering that diamonds were only discovered in the early 1990s, this example shows just how quickly the mining industry can positively transform a region.

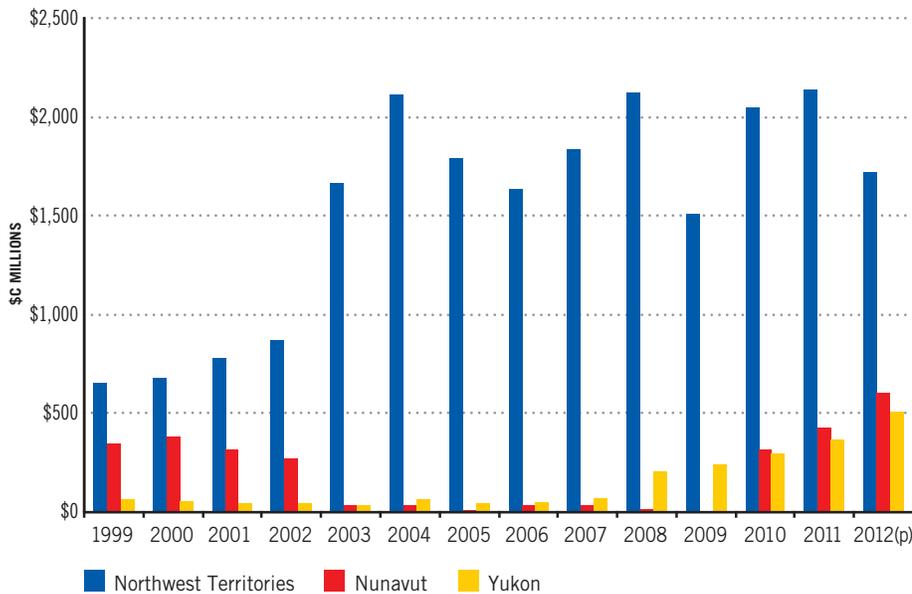
In addition to diamonds, Canada's North is rich in other resources, including gold, rare earths, copper and zinc. Continuing federal funding for geo-mapping will support ongoing exploration activity that will undoubtedly result in the discovery of new commodities. According to

MAC's *Facts & Figures 2013* report, Canada's three territories together received 20 per cent of total Canadian spending on exploration and deposit appraisal in 2012, reflecting global interest in Canada's northern mineral potential.

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With four active mines, the NWT is currently the largest in terms of mining production, and activity is poised to increase. There are six major projects currently in the environmental assessment and permitting process and several additional projects could be commissioned by 2020. As critical as that growth is for the North, more projects are needed to sustain economic growth. In fact, even if all six of the potential projects in the NWT become mines, they would not be enough to displace the job losses when the EKATI and Diavik diamond mines eventually close.

The settling of some of the NWT land claims has helped ease uncertainty for operations near or on aboriginal land and this, along with the devolution of resource management responsibilities to the territorial government, has put more decision-making in the hands of those who most benefit from mining development. The federal government has a major role to play by actively negoti-

**Chart 1:** Territories, Nunavut and Yukon mining production

Source: Natural Resources Canada—March 2013

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ating the remaining unsettled claims and by supporting the NWT government in meeting its aspirations of attracting new mining investment, thereby strengthening the territory's competitiveness.

Building and operating mines is not easy, particularly in Canada's North, where companies face higher operating costs, a lack of critical infrastructure, significant human resource constraints, and a complex regulatory environment.

For mines to operate in remote environments, they require power, permanent roads, ports and people to operate. Likewise, getting mining products to ports and smelters efficiently is critical, especially given

that Canada competes with other countries with significantly shorter supply routes. Solutions may lie in improving the tax system to incentivize infrastructure components of private sector investments that can provide larger community benefits, and by increasing federal and territorial investments in northern infrastructure. We need to build it for mining growth and the jobs that go along with it.

**Development cannot move forward without industry and local communities working together. Mining companies also have to do their part to ensure they are listening to communities' needs, and operating in environmentally and socially-responsible ways.**

We have the opportunity to provide well-paying employment for northerners and aboriginal people, while alleviating some of the industry's acute skills shortage. This was acknowledged during the prime minister's northern tour in 2013, when

he announced critical skills funding, including \$5.8 million over two years to support the NWT Mine Training Society for a new sector-skills training program. This is exactly the kind of investment that catalyzes and accelerates the participation of aboriginal Canadians in the mining sector.

**A**s the current chair of the Arctic Council, the federal government has signaled the need for northern economic prosperity and enhanced sovereignty in Canada's North. This provides a unique opportunity for northern aboriginal communities—First Nations, Inuit and Métis alike—to capitalize on future mine development. As we have seen with diamond mining in the NWT, there are significant jobs, business development opportunities, community services and infrastructure that flow from mining development. But development cannot move forward without industry and local communities working together. Mining companies also have to do their part to ensure they are listening to communities' needs, and operating in environmentally and socially-responsible ways.

Mining representatives and policy makers agree that more can be done to seize the incredible opportunities in Canada's North and to contribute to the economic prosperity of our northern communities. Before we can get there, it's important to understand that in today's investment climate, where global mining investment is highly mobile and competition for it is fierce, it takes much more than rich mineral deposits to build a mine. Inefficient regulatory processes, the lack of infrastructure and unsettled land claims all contribute to the costs of mining, and are particularly challenging in Canada's North. However, as we've seen with diamond mining in the NWT, barriers can be overcome when communities, government and industry work together to create sustainable mining development. **P**

*Pierre Gratton is President and CEO of the Mining Association of Canada. [pgratton@mining.ca](mailto:pgratton@mining.ca)*