

Undermining the Value of Clean Land & Water



**Inadequate
Securities
for Mines in
British Columbia**

OUTLINE

ž **Security for mines**

- ∨ what & why
- ∨ when taxpayers have paid

ž **What's legally required in BC?**

- ∨ the good & the bad

ž **Spotlight on Quinsam Coal Mine**

- ∨ a warning for Raven Coal

What is SECURITY?

Security is a type of guarantee given by the mine company to government (*aka financial assurance, bond*)

Purpose:

To ensure **costs of mine decommissioning & reclamation** are borne by the **mine company** *rather than* by government and the public purse

Security instrument = the form of guarantee:

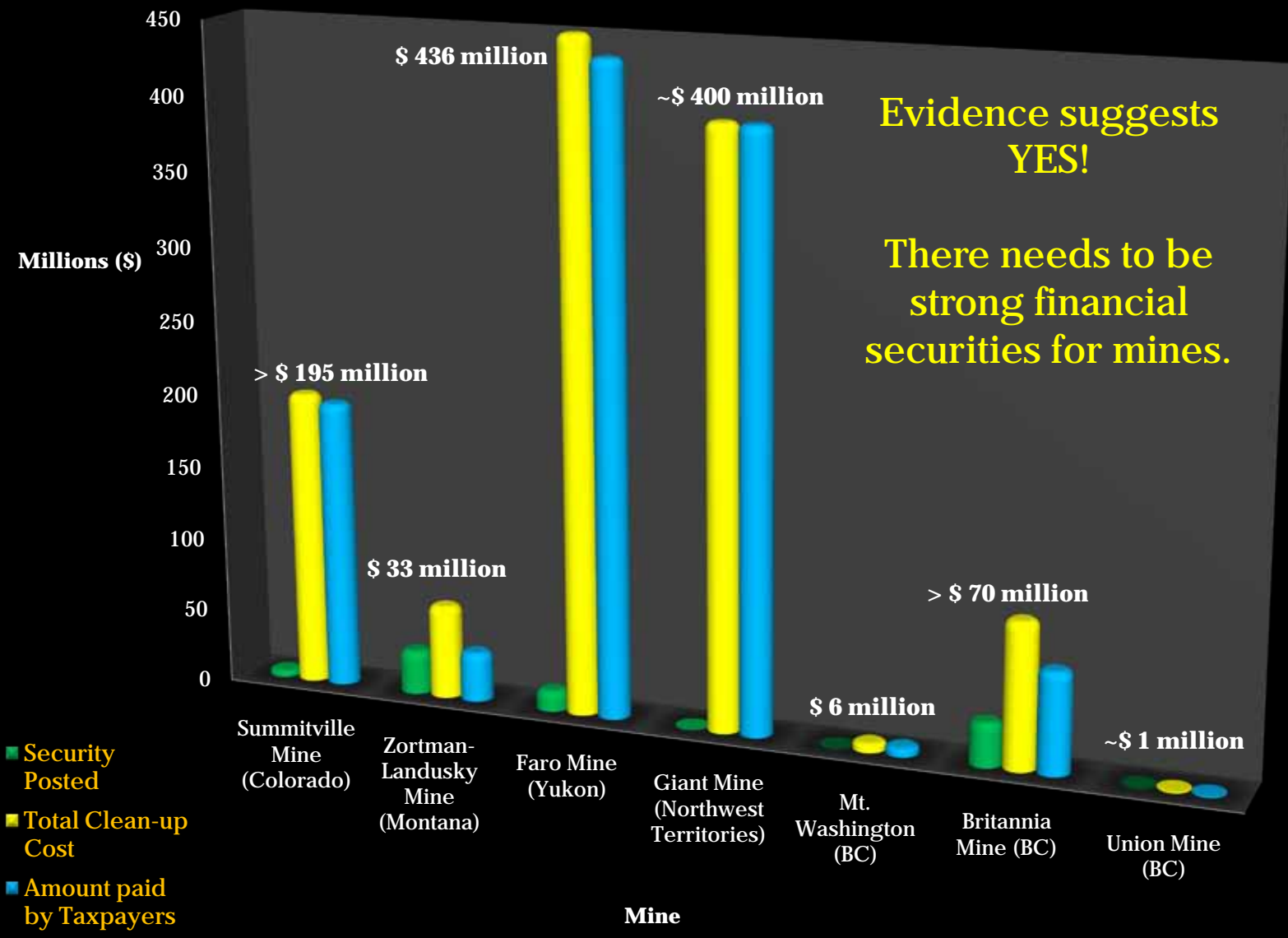
Hard Security (e.g. cash deposit, letters of credit)

Soft Security (e.g. corporate guarantee, financial test)

Do we *really* need securities for mines?



Costs paid by taxpayers to remediate mines in North America



Evidence suggests YES!

There needs to be strong financial securities for mines.



Mt. Washington Mine – 4 decades later
Taxpayers pay \$6 million for environmental clean-up costs

And it doesn't end there ...

- Ø Numerous individuals made independent contributions**
- Ø \$2 million annual loss from destroyed Tsolum River salmon runs**
- Ø Possible \$ for long-term water treatment**

What is legally required in BC?

GOOD NEWS

- z Today, securities are generally required for BC mines (but still not a mandatory legal requirement)
- z Security can cover broad range of costs
In BC, costs may include:
 - \$ mine reclamation
 - \$ protection of watercourses
 - \$ protection of cultural heritage resources
 - \$ carrying out mine permit conditions, orders & directions
- z Policy (but not law) requires 100% security for sites needing long-term ARD treatment
- z Recent increases in securities for coal mines (but increases not triggered by law)

What is legally required in BC?

BAD NEWS

z Security does not cover:

- off-site contamination & damage to buildings from blasting
- environmental impacts from mine truck traffic
- unexpected occurrences (e.g. spills)
- government administrative costs

z No higher securities for mines using cyanide or other toxic chemicals

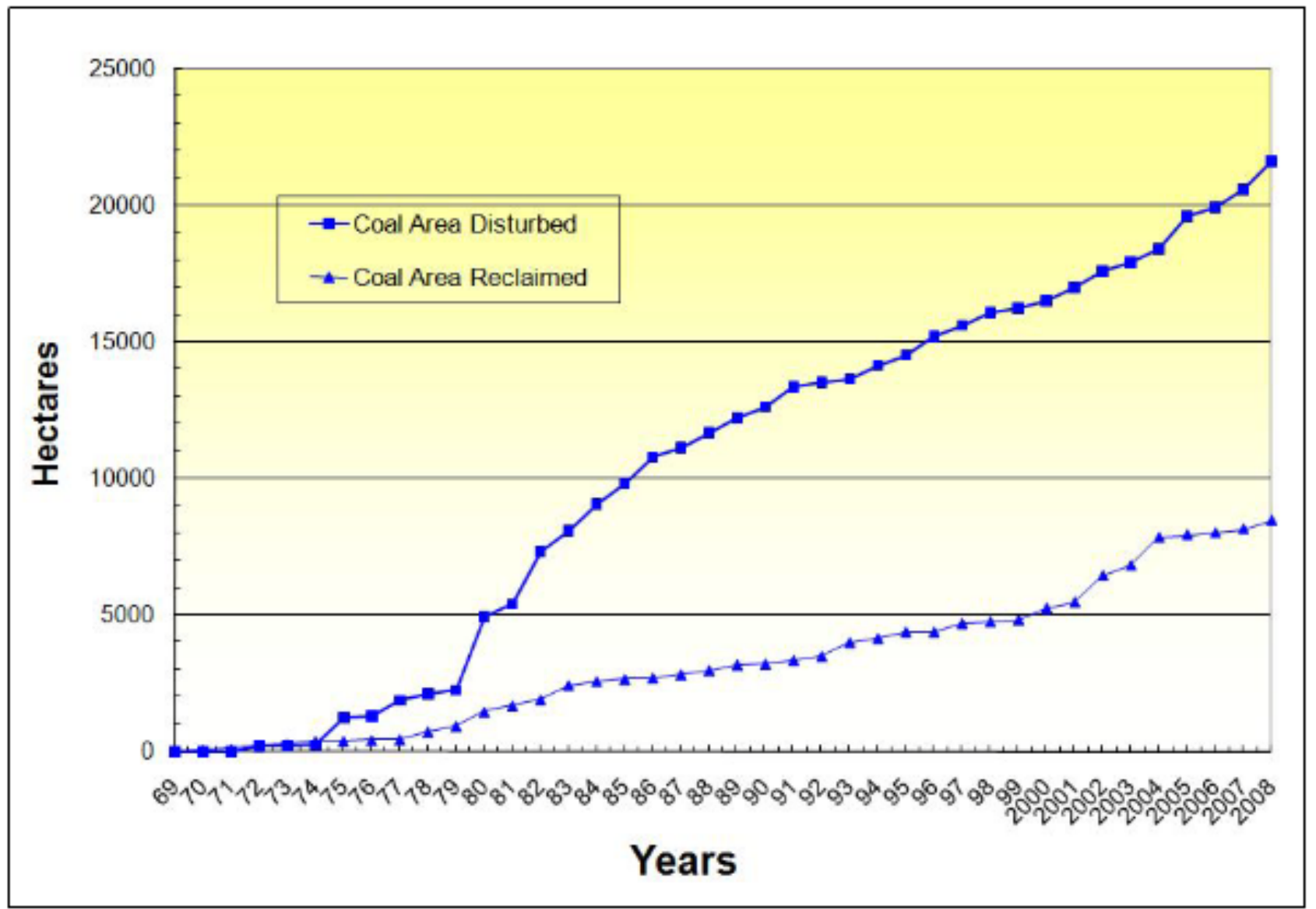
z Significant discretion with respect to:

- which costs must be covered
 - acceptable security instrument
 - reducing security for wealthy companies
- Results in lower estimated reclamation costs

z Inadequate progressive reclamation

Area disturbed & reclaimed at coal mines in BC: 1969 - 2008

source = Chief Inspector of Mines 2008 annual report



What is legally required in BC?

MORE BAD NEWS

- ž Confidential reclamation estimates
- ž Inflation adjustments not mandatory
- ž No victim compensation scheme
- ž Insufficient amounts
- ž Infrequent reviews

A recognized problem

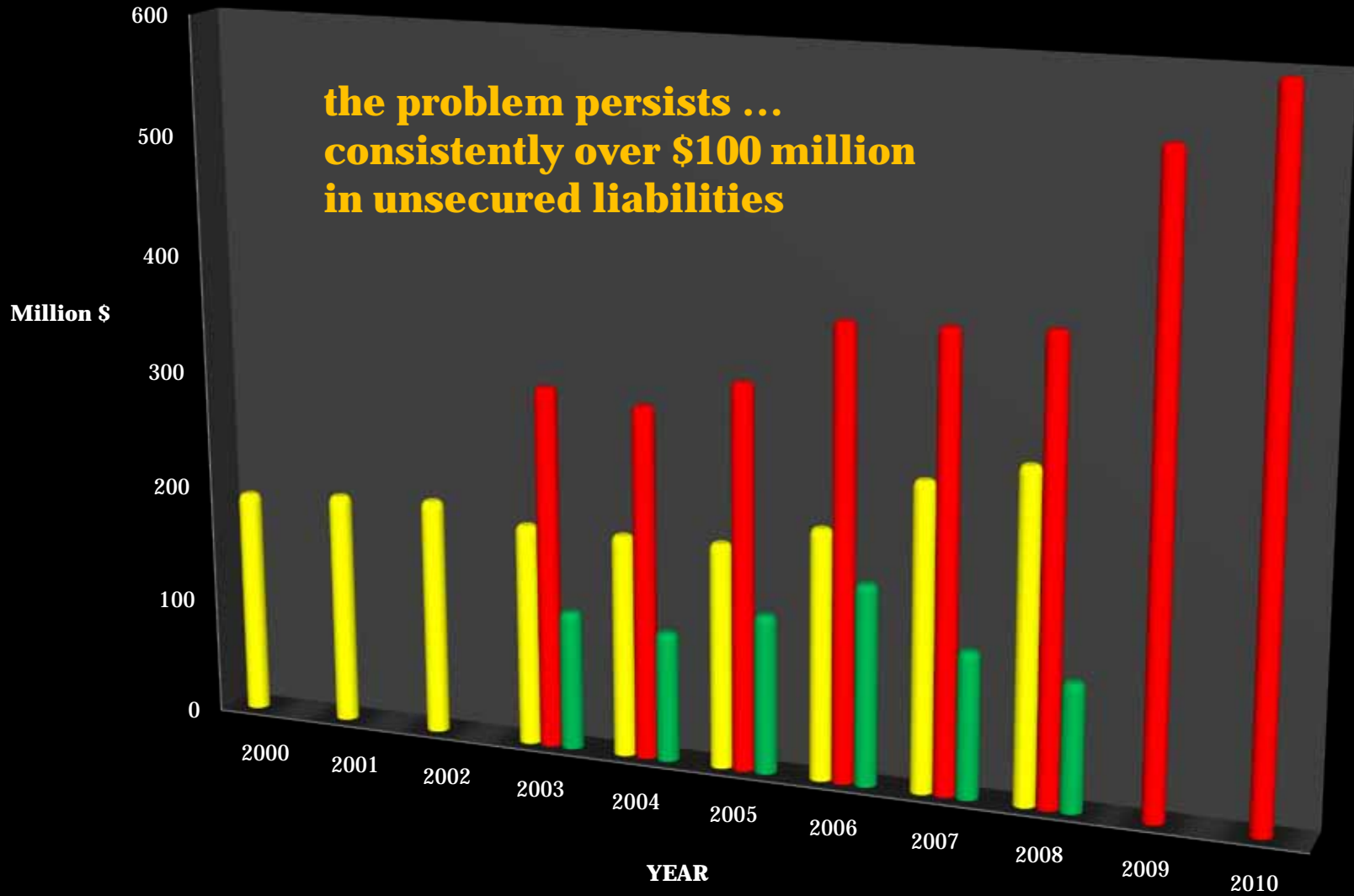
“[S]ecurity now being taken under the *Mines Act* is inadequate to remediate the known mines sites in BC where contamination exists.”

- BC Auditor General, 2003.

Unsecured liabilities for mines in BC

(excludes abandoned mines)

■ Total Security for BC mines ■ Net liabilities for BC mines ■ Difference - What taxpayers pay



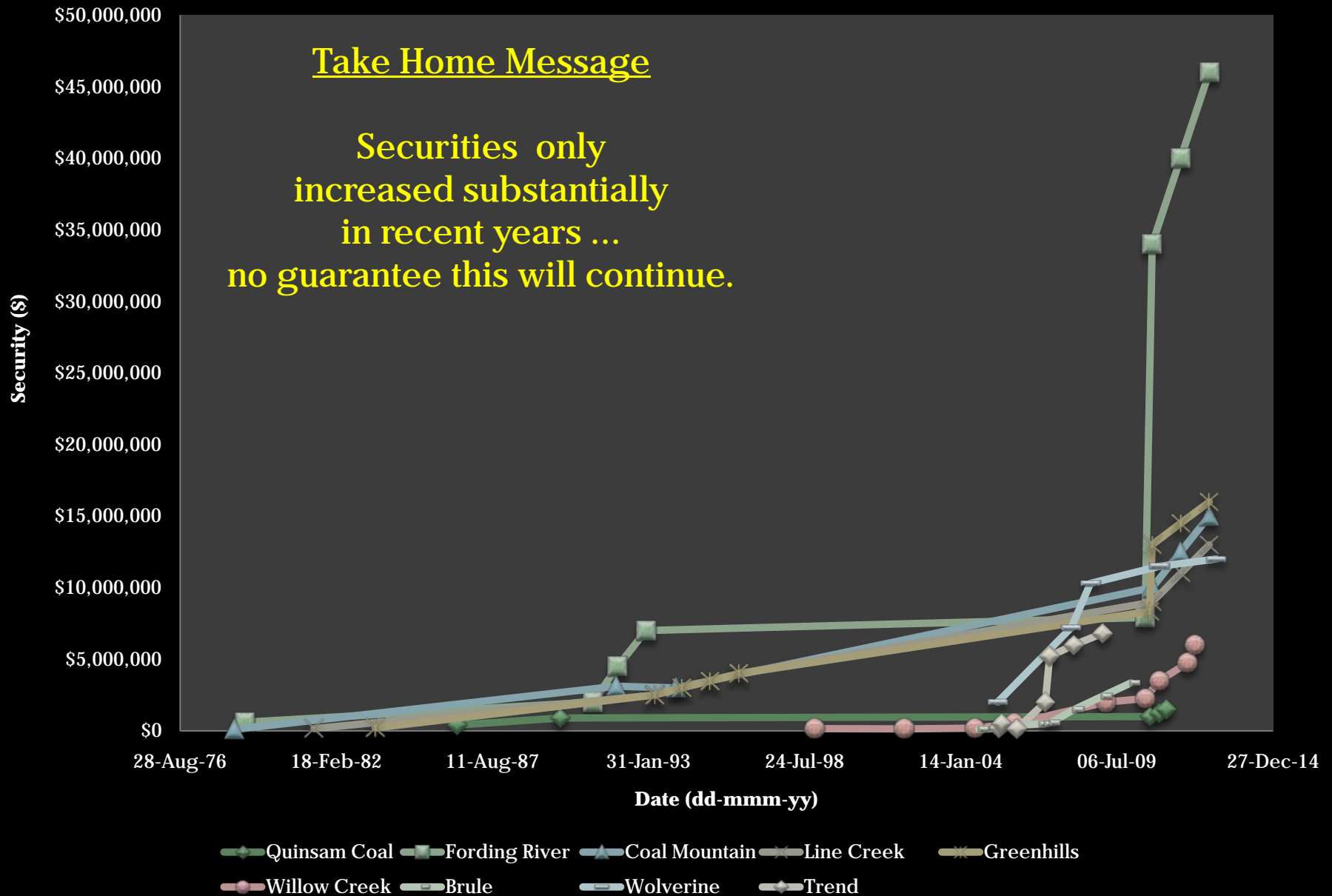
A closer look at securities for coal mines in BC



Securities for coal mines in BC

Take Home Message

Securities only increased substantially in recent years ...
no guarantee this will continue.

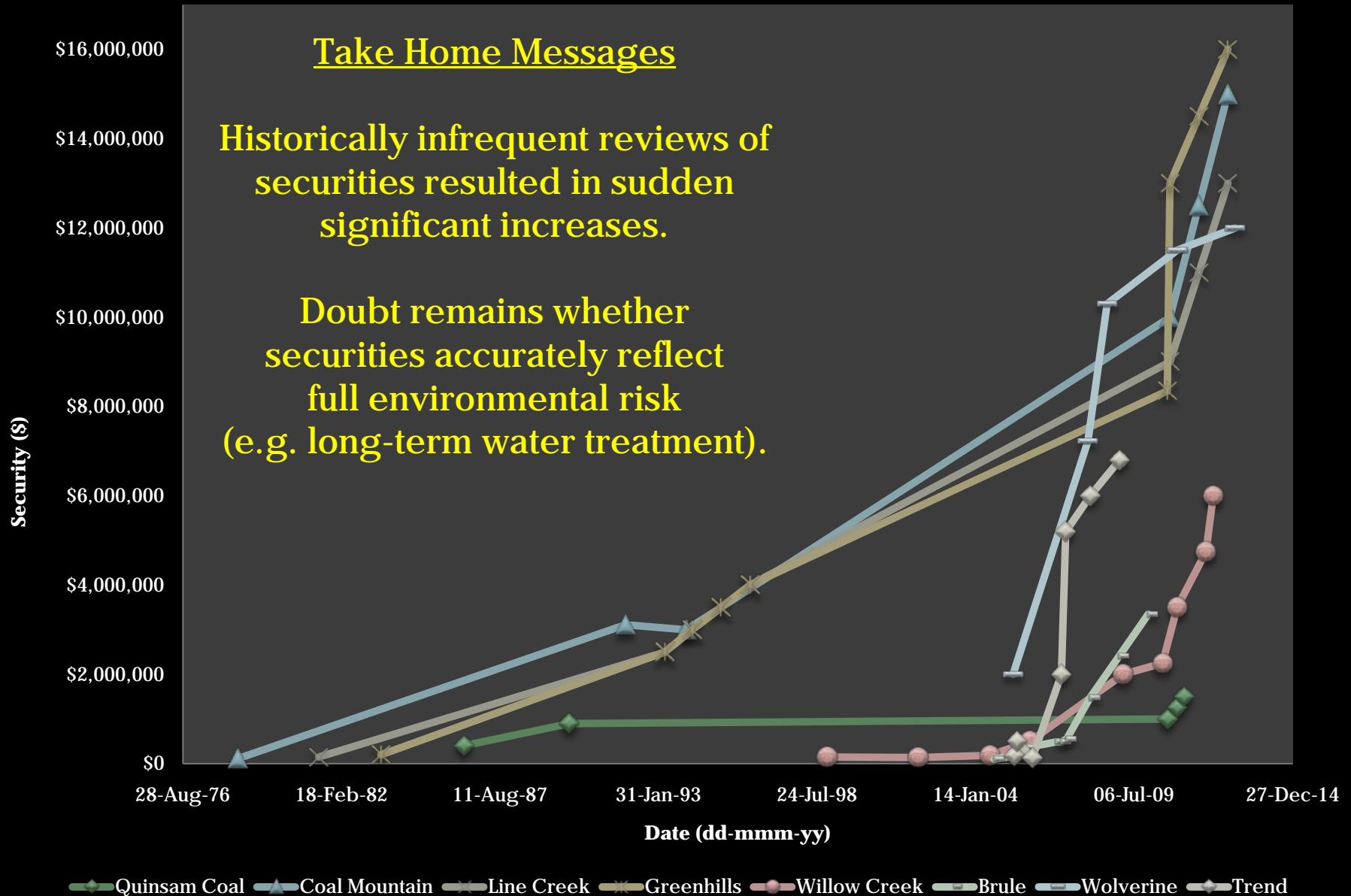


Securities for coal mines in BC (<\$16 million)

Take Home Messages

Historically infrequent reviews of securities resulted in sudden significant increases.

Doubt remains whether securities accurately reflect full environmental risk (e.g. long-term water treatment).



Can Industry Afford More?

Total value of coal production in BC since 2000
> \$18 Billion

Total current security held for coal mines in BC
less than 0.6%
total value of coal production since 2000

**Is that how much
clean land & water is worth?**

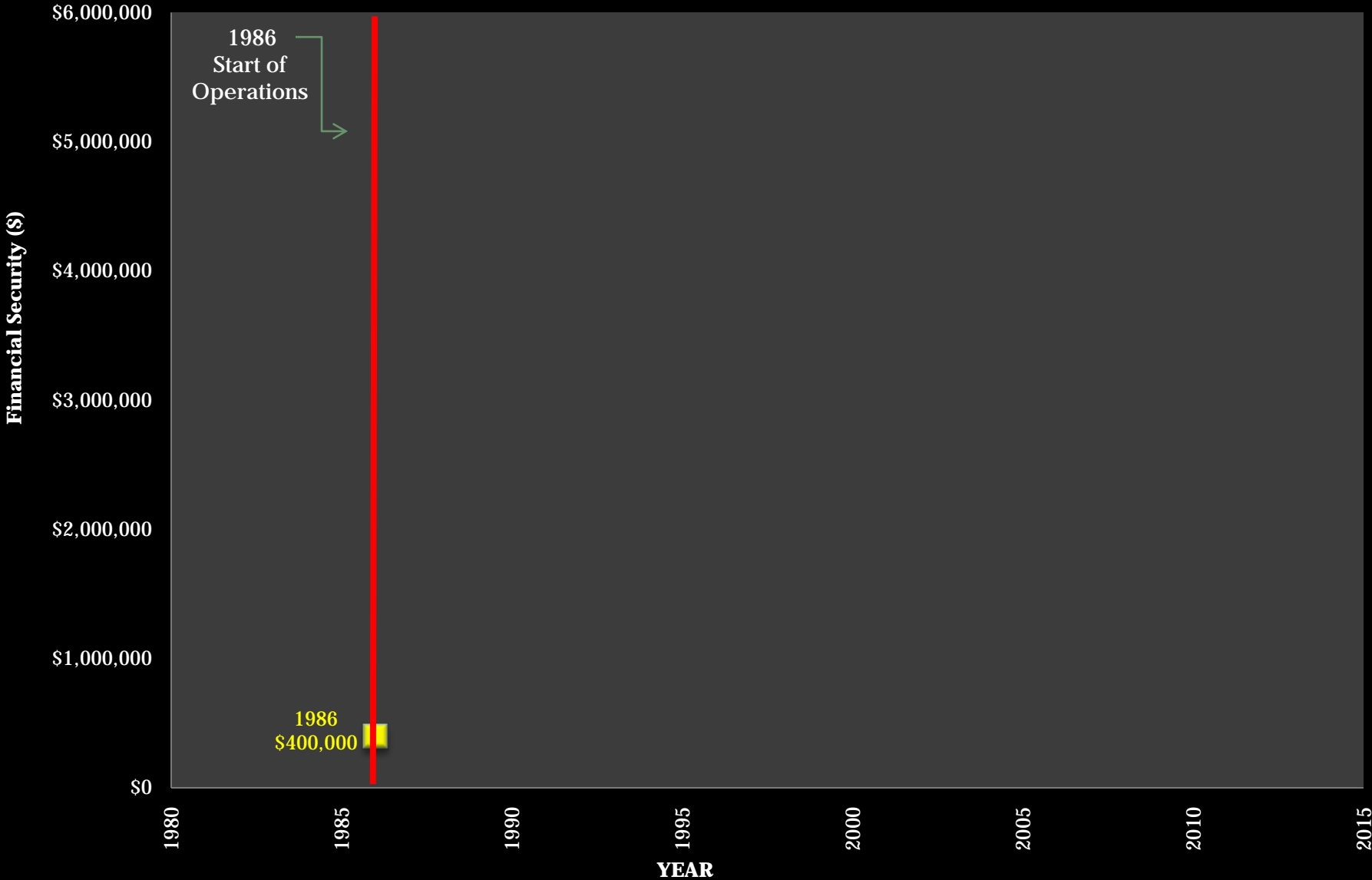
What's happening in the neighbourhood?



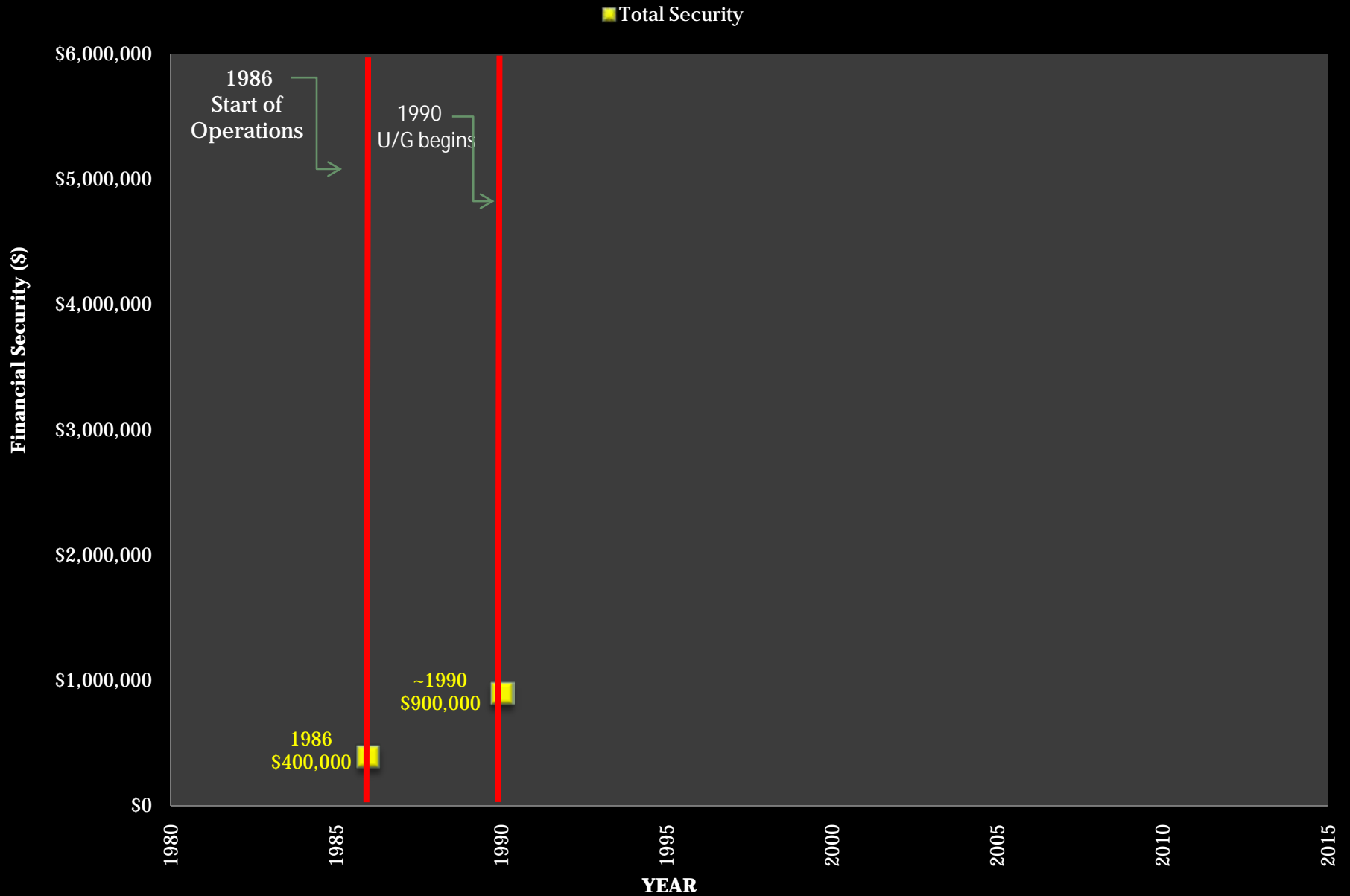
Quinsam Coal Mine on Vancouver Island

Quinsam Coal Mine

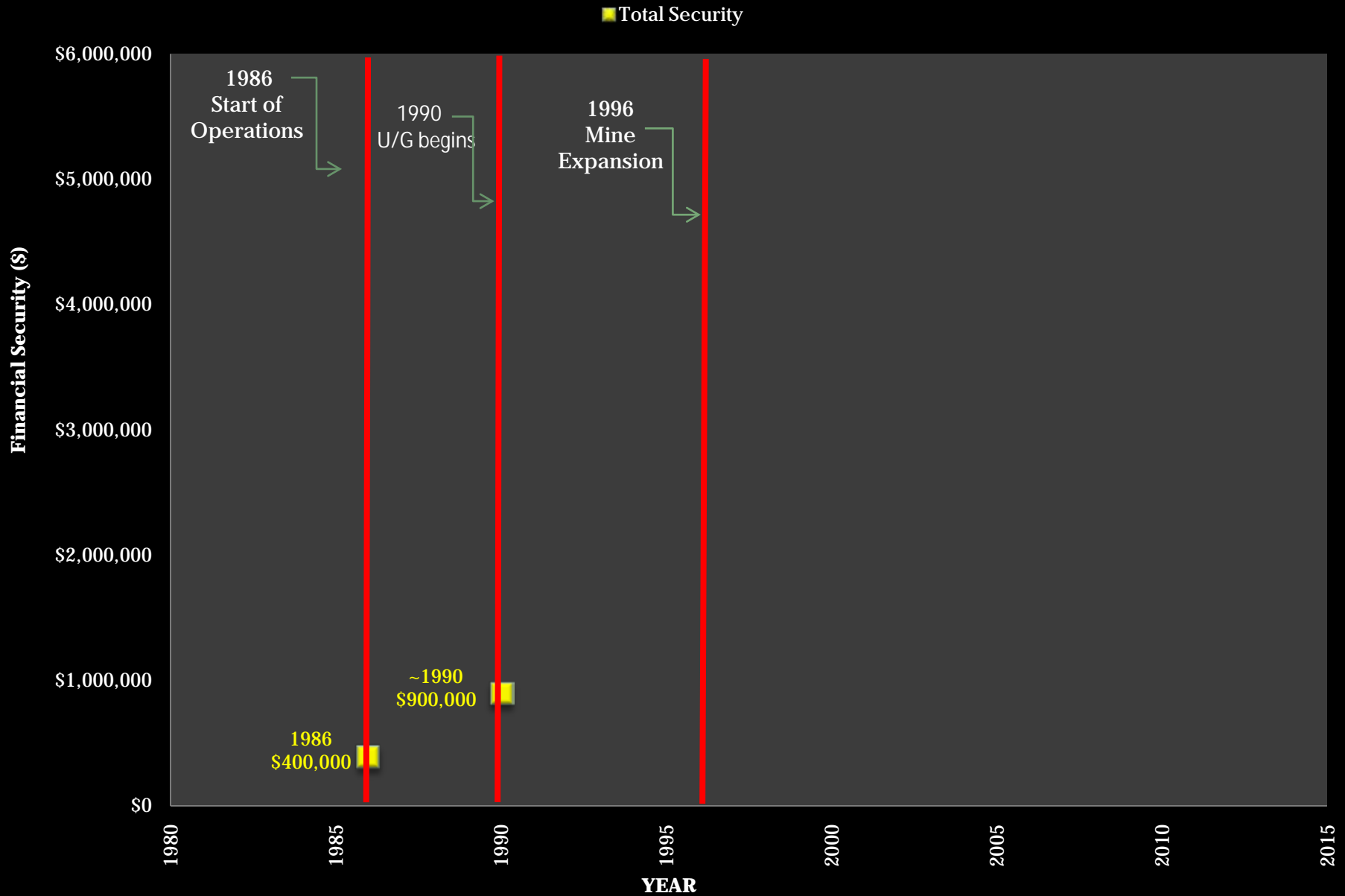
■ Total Security



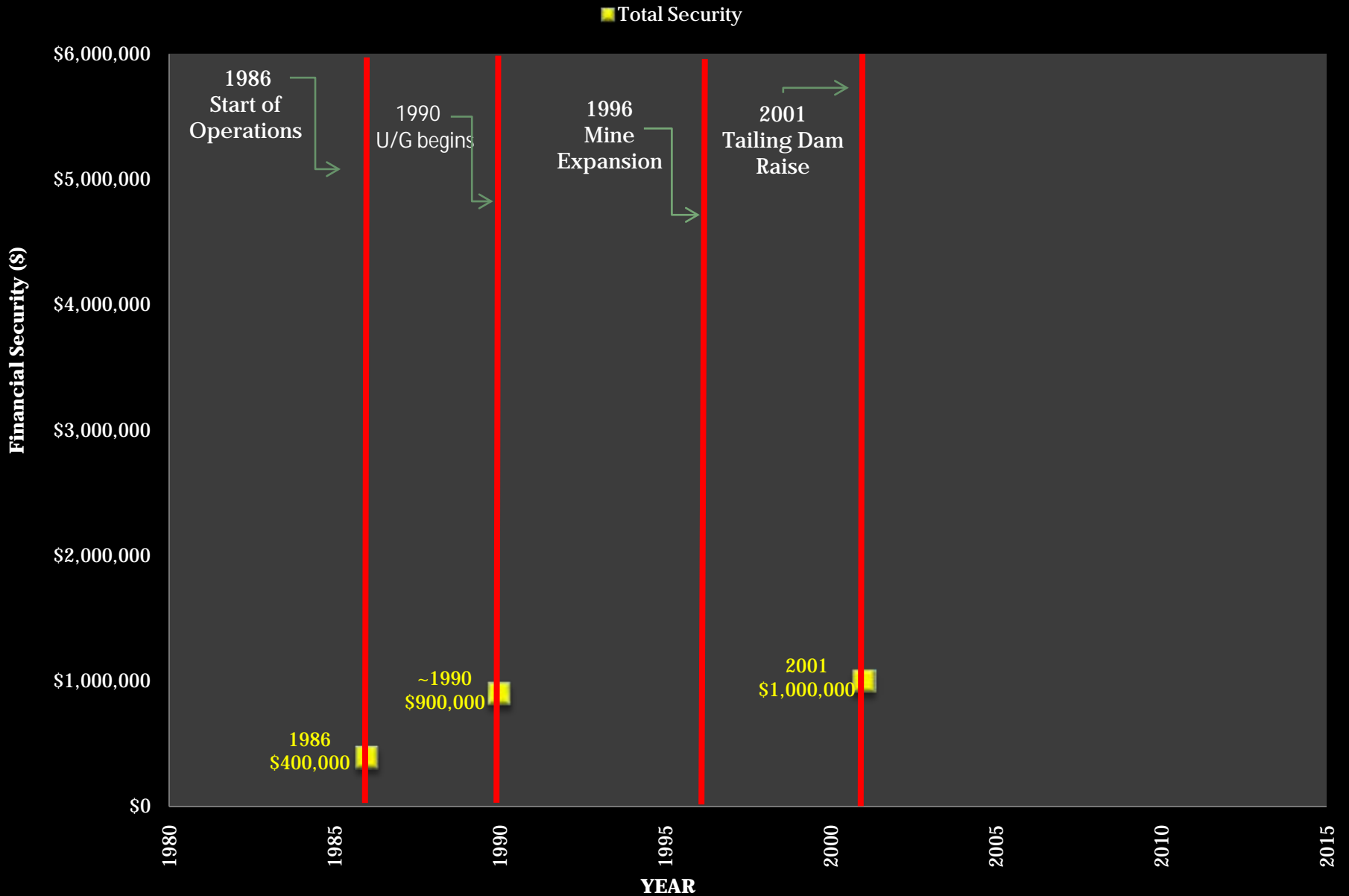
Quinsam Coal Mine



Quinsam Coal Mine

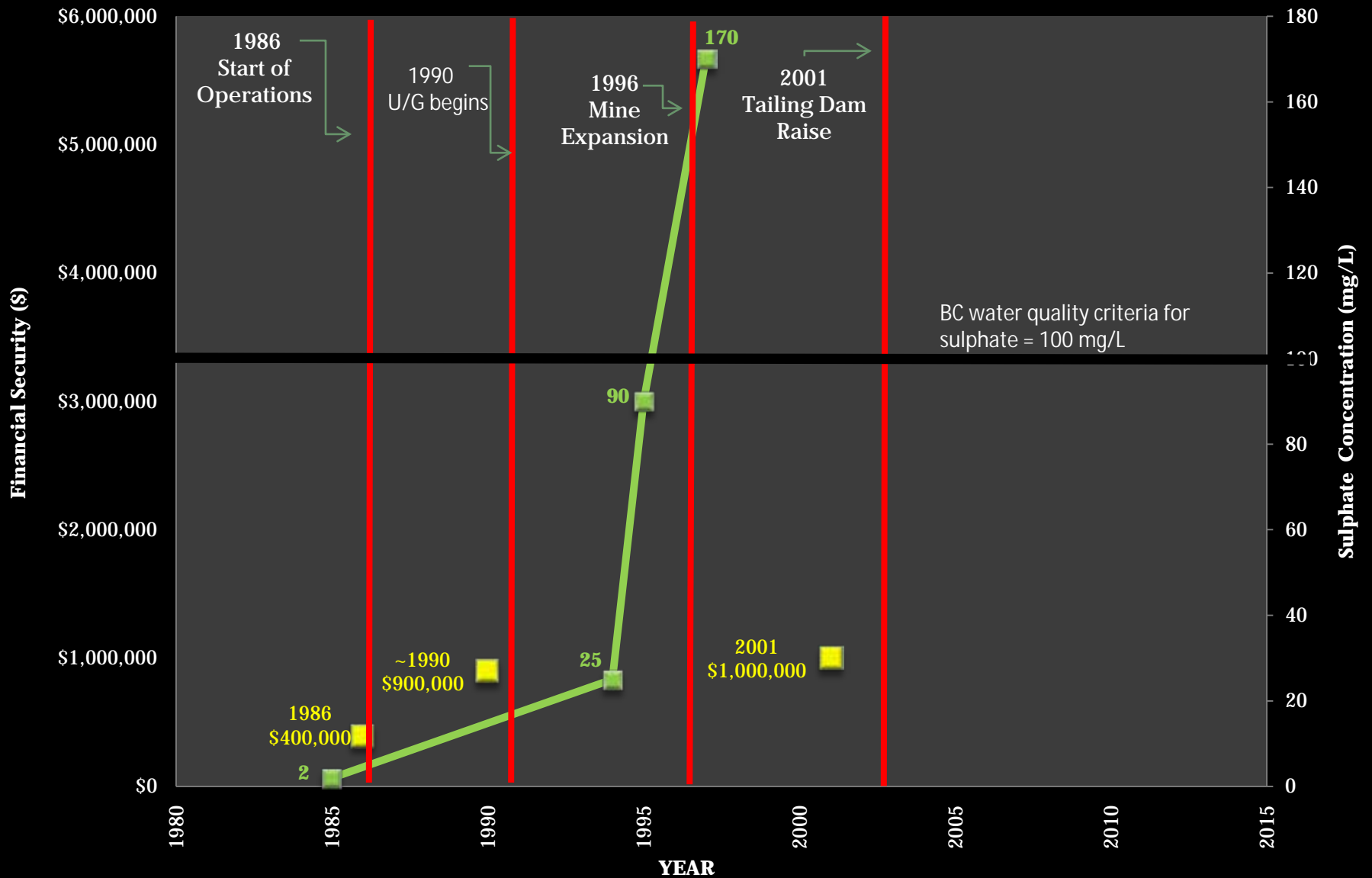


Quinsam Coal Mine

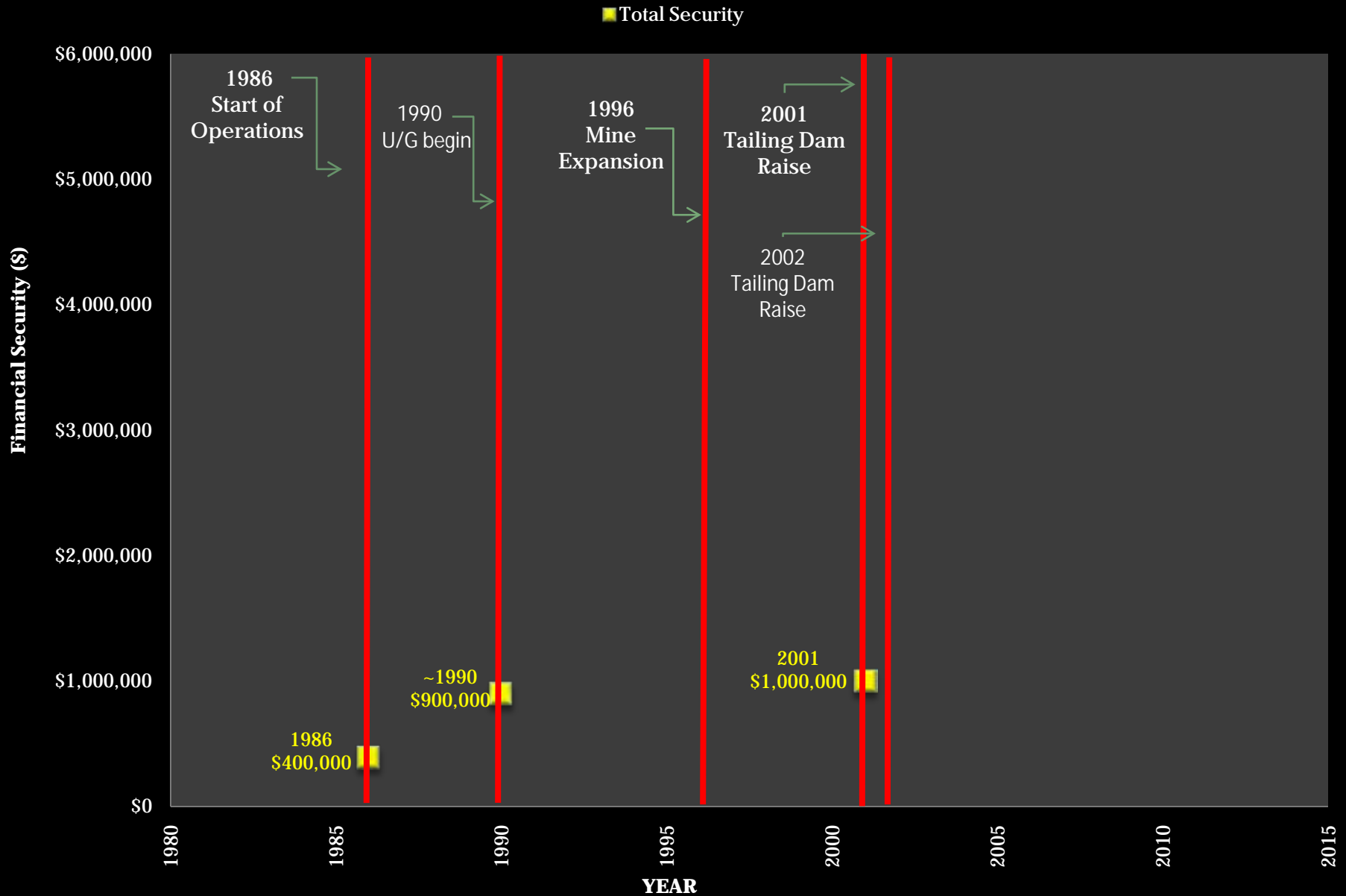


Quinsam Coal Mine

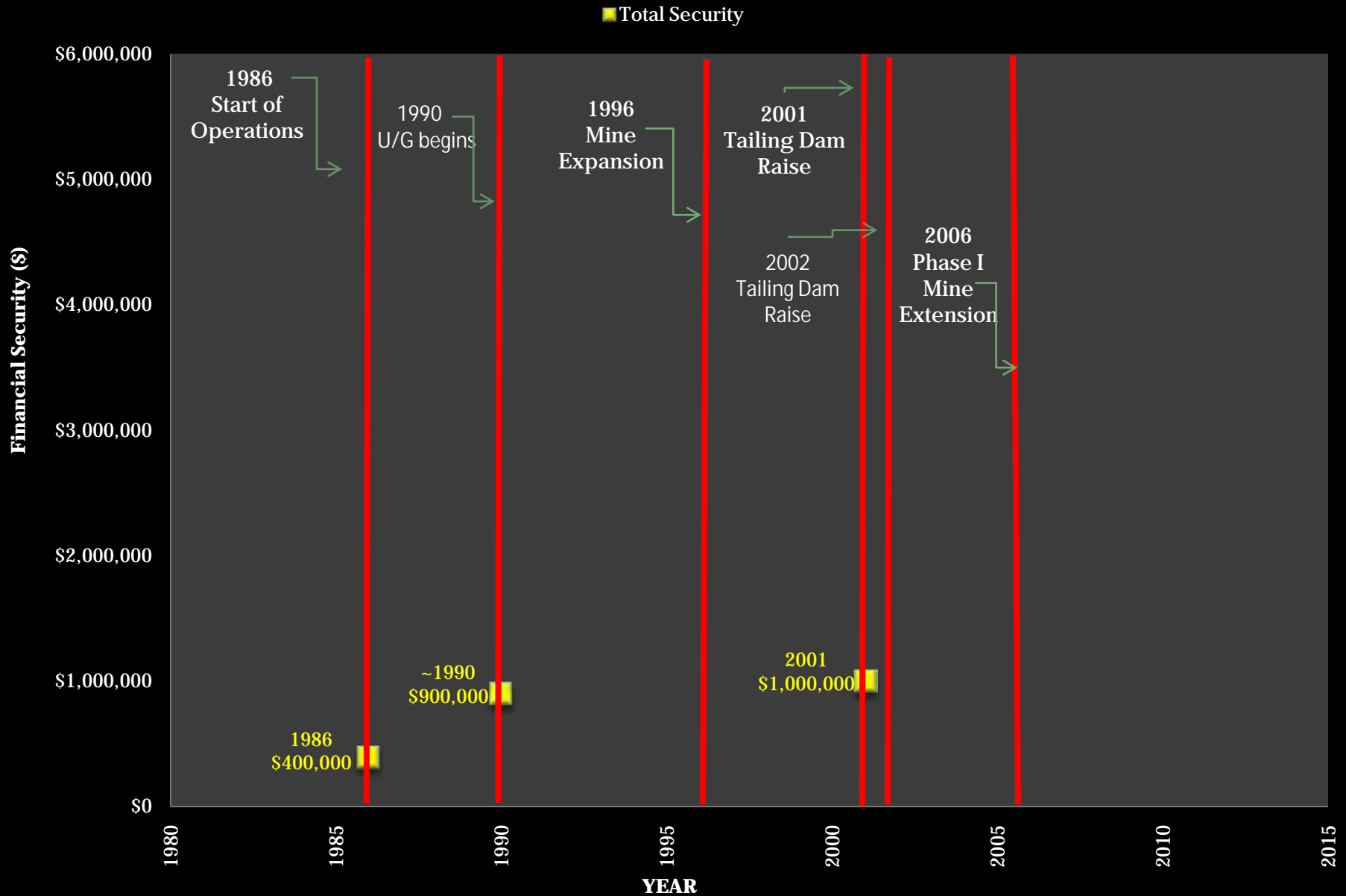
■ Total Security ■ Sulphate concentrations in Long Lake (1 m depth)



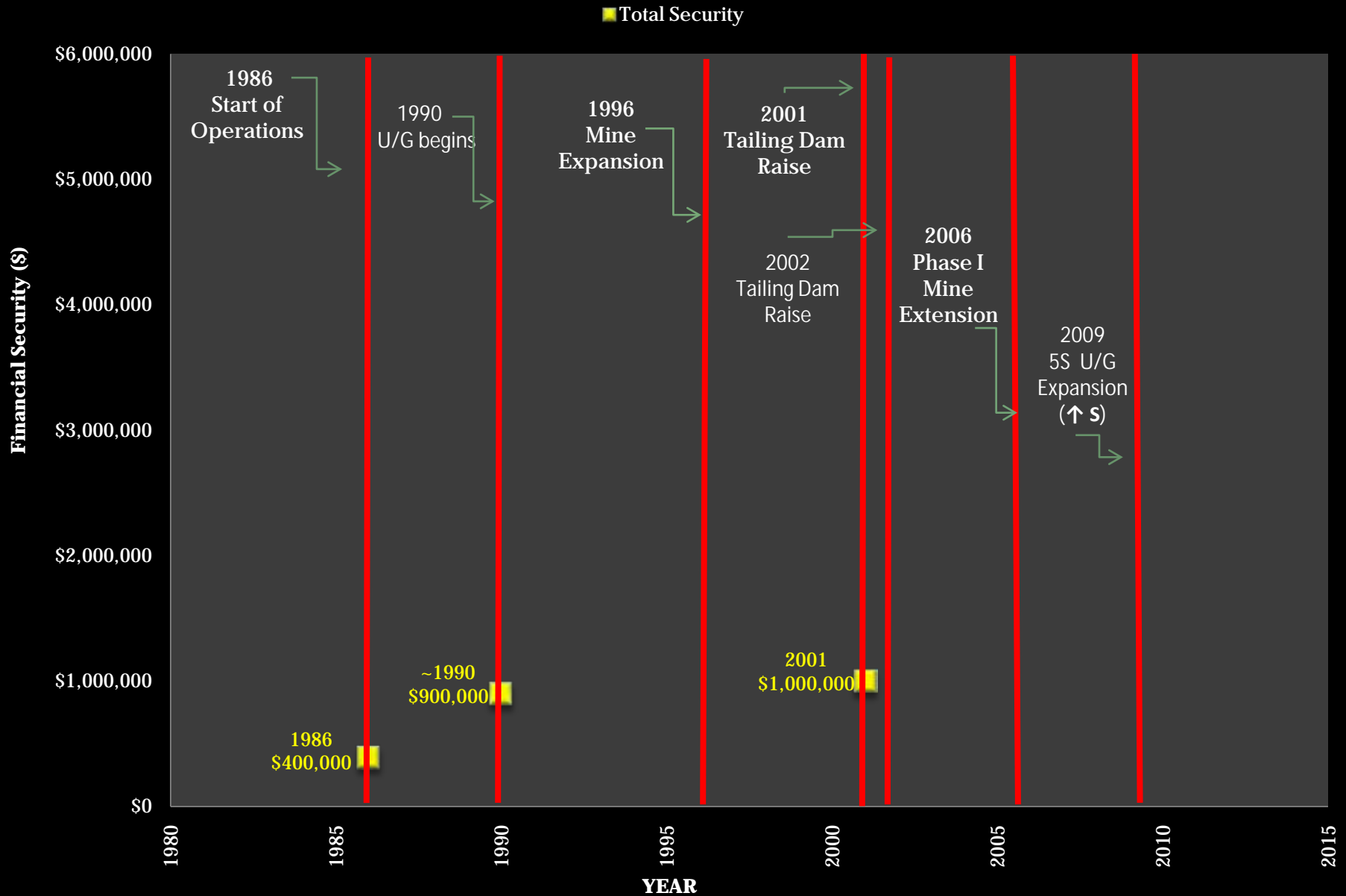
Quinsam Coal Mine



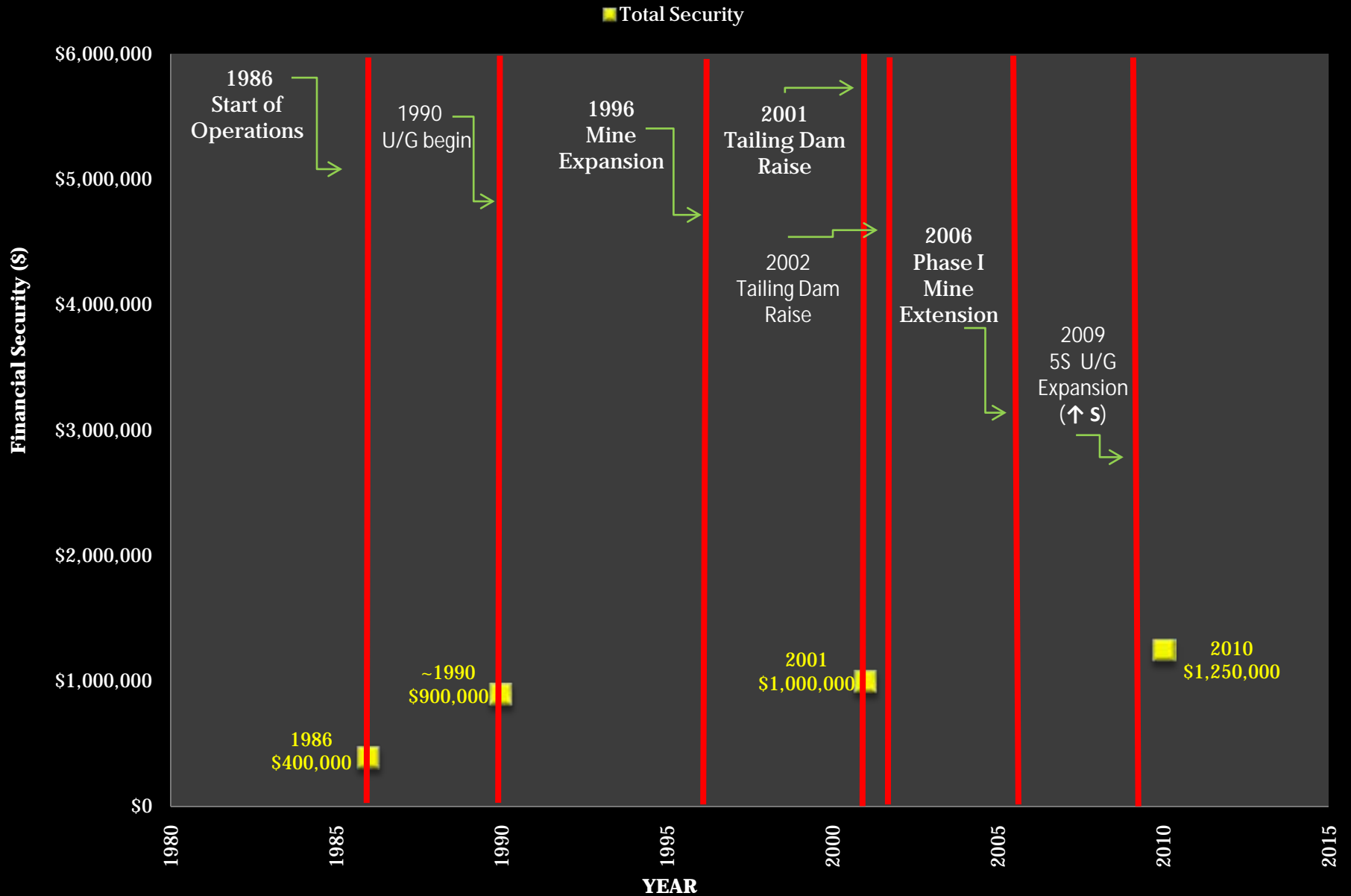
Quinsam Coal Mine



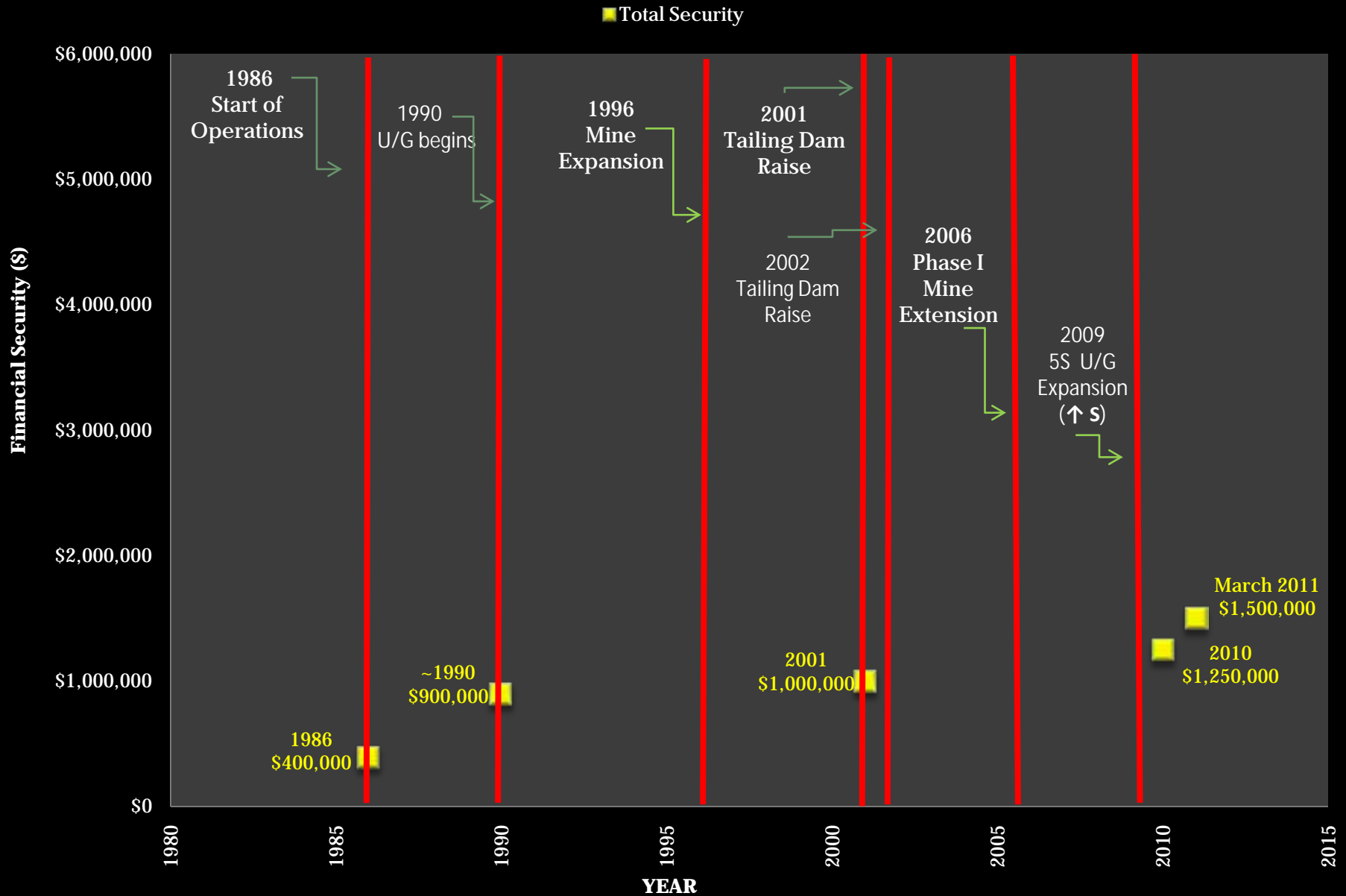
Quinsam Coal Mine



Quinsam Coal Mine

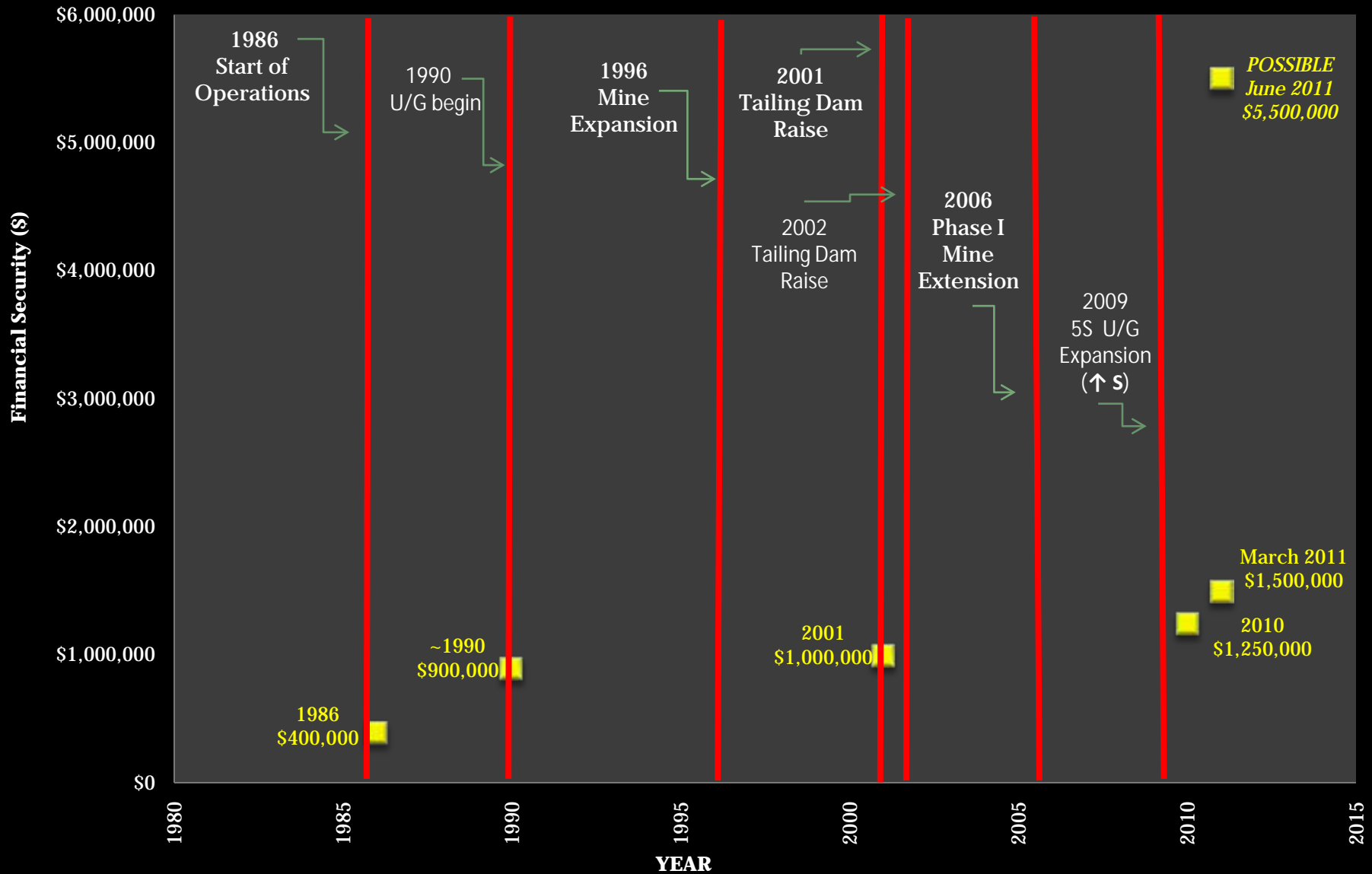


Quinsam Coal Mine



Quinsam Coal Mine

■ Total Security





Summary

Significant discretion & confidentiality

+

Historical trends

- insufficient amounts
- infrequent reviews
- inadequate instruments
- insufficient progressive reclamation

+

Lack of victim compensation scheme

Raven Coal

Time to pull our wallets out again?

