

**Written Submission for the Pre-Budget Consultations in Advance of
the 2023 Federal Budget**

By: The Prospectors & Developers Association of Canada (PDAC)

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Recommendation 1: That the Federal government increase the Mineral Exploration Tax Credit (METC) from 15% to 30% in each of the territories, and renew it to 2027, to align with the expiration of the Critical Mineral Exploration Tax Credit (CMETC).

Recommendation 2: That the Federal government expand the eligibility of Canadian Development Expenses (CDE) for critical mineral mine development from 30% currently to 100% to match the eligibility under Canadian Exploration Expenses (CEE), and to create a 5 year review process of both CDE and CEE, tied to the 5 year renewal cycle of the METC and CMETC.

Recommendation 3: That the Federal government put in place a one-window approach to facilitate access to available funding for early engagement and community capacity building with First Nations to support Indigenous participation in critical mineral projects, Canada's critical mineral strategy and initiatives like the development of the National Benefits Sharing Framework.

Recommendation 4: That the Federal government significantly expand the funding provided to the Geological Survey of Canada (GSC) to accelerate development of a Pan-Canadian Geoscience Strategy (PGS) and co-fund provincial and territorial geoscience organizations to collaboratively develop comprehensive, regional-level mineral and energy potential models for application in evidence-based land management and conservation planning.

Recommendation 5: That the Federal government dedicate resources to facilitate direct engagement with Indigenous peoples and the mineral exploration industry across Canada, to develop and implement the UNDRIP Action Plan, on issues that affect infrastructure, economic development, and regulatory consultation processes.

Recommendation 6: That the Federal government expedite the release of funds and fast track the development of broadband infrastructure in the north, particularly in the territories and First Nations communities.



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About the Prospectors & Developers Association of Canada

The Prospectors & Developers Association of Canada (PDAC) is the leading voice of the mineral exploration and development industry, which supports 719,000 people in direct and indirect employment, and contributes more than \$100 billion to Canada's GDP every year. The industry is also the largest private-sector industrial employer on a proportional basis of Indigenous Peoples in Canada, and a key partner of Indigenous businesses.

Representing over 6,000 individual and corporate members both in Canada and around the world, PDAC's work centers on supporting a competitive, responsible, and sustainable mineral industry.

PDAC was pleased to see Report #4 of the Standing Committee on Industry and Technology (INDU) titled *Positioning Canada as a Leader in the Supply and Processing of Critical Minerals* (INDU Report) and is supportive of all ten recommendations contained in the report. It is PDAC's view that government should take all of these recommendations into account, as they pertain to the recommendations presented by PDAC in this submission.

PDAC is eager to work with government to ensure our sector can access the people, lands and capital needed to close gaps in our domestic supply chains and play a critical role in Canada's climate action strategies. In doing so, we can achieve a low-carbon future while continuing to bring significant economic and social benefits to Canadians from coast to coast to coast.

Positioning Canada as a Global supplier of Choice for the Transition to a Low-Carbon Future

Canada's vast potential for mineral discovery is one of the greatest economic opportunities of this generation and incentivizing new discoveries is a social imperative that can support a foundation for global change. To capitalize on this opportunity, we must see sustained investment in mineral exploration and downstream processing capacity, so that Canadian minerals and metals can reach markets within realistic timeframes, deliver the desired benefits and drive meaningful change.

Demand for critical minerals, in particular, is likely to increase substantially as jurisdictions around the globe begin their transition to a lower-carbon footprint. There is no global energy transition without minerals, and Canada can be the supplier-of-choice for our own economy, and those of our strategic partners. Failure to enact policy that strengthens our mineral sector will simply increase Canada's reliance on foreign production of critical minerals, in all likelihood from jurisdictions with far lower standards and protections on the environmental, sustainability and governance best practices.

Mineral exploration is a high-risk endeavor and attracting investment for early-stage, non-revenue generating exploration companies is extremely difficult. To address this challenge, the 'made-in-Canada' flow-through share (FTS) mechanism plays a critical role in financing domestic exploration. Over the last decade, flow-through financing has generated more than two-thirds of all funds raised for domestic exploration on Canadian Exchanges and a primary channel to new capital when other sources are sparse.



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The Mineral Exploration Tax Credit (METC) is another key incentive that provides investors with an additional 15% tax credit for funds directed towards grassroots exploration. METC targets the earliest stages of mineral exploration and is becoming increasingly important due to the long-term decline observed in the proportion of grassroots spending in Canada, from 45% of total expenditures in 2008 to 21% in 2020.

Currently, nearly half of Canada's provinces offer their own version of the METC, which combines with the Federal tax credit to offer additional incentive to explore within their geographic borders. Given that natural resources within the territories fall under the jurisdiction of the federal government, and their extremely low population base when compared to the provinces there is a notable incentive disparity between provinces and the territories. Exploration activity in Canada's far north also carries significantly greater costs due to significant shortfalls in energy, transportation and communication infrastructure.

The lack of a "level playing field" in terms of fiscal incentives with the provinces impedes investment into the territories, where a significant number of the next generation of mineral discoveries are likely to occur. As such, increasing the METC to 30% for exploration within the territories will drive more grassroots exploration activity in these regions.

Developing mines in northern and remote regions of Canada that lack power and transportation infrastructure can be prohibitively expensive. However, if Canada is to effect the goals of reaching net zero by 2050 and becoming a lead source in the global supply chain of critical minerals, more mines will need to be built in these regions. Under current legislation, Canadian Exploration Expenses (CEE) are 100% deductible in the year they occur whereas Canadian Development Expenses (CDE) are only deductible on a 30% declining balance.

Mines and particularly new critical mineral mines in the development stage can be as perilous as exploration-stage projects given the significant scale of infrastructure and processing capacity required to reach commercial viability. With the above context in mind, PDAC recommends increasing CDE deductibility to 100% in order to boost Canadian competitiveness and the amount of critical mineral mines that reach commercial viability.

Impending legislation to enact the CMETC outlines a 5-year lifespan for the credit, retroactive to April of 2022. This compares to the METC, which currently has an expiry in 2024. This discrepancy has the potential to cause unintended confusion within the marketplace and impugn investor confidence in the flow through share regime. As such, PDAC recommends aligning the applicable term for the METC with the CMETC, and that the government commit to a review and renewal process a minimum of one year prior to the expiry of both incentives. This review should aim to ensure that activities eligible under both regimes reflect the current scope of work required for mineral exploration and development, and takes into account technological innovations and other shifts in industry activity.



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Bolster integration of evidence-based processes in land management decision-making

Funding for public geoscience programs has proven to be economically effective with research showing that every \$1 in public geoscience spending, is estimated to generate more than seven times that in overall economic benefit to Canada (Ernst & Young, 2019).

The Pan-Canadian Geoscience Strategy (PGS) aims to build a framework for collaboration with organizations domestically and internationally. PDAC believes the PGS should expand to prioritize modelling mineral and energy potential across Canada to provide an evidence base to accelerate land use planning, conservation and the discovery of critical minerals. Expanding the PGS mandate could facilitate greater collaboration between Indigenous peoples, industry, regional governments and give Canada a strategic advantage to meet the challenges of transitioning to a net zero future.

As such, PDAC recommends that the government increase funding for the Geological Survey of Canada (GSC) to support development of the PGS and create a federal funding mechanism to support provincial and territorial geoscience organizations, and geological survey undertake comprehensive mineral potential modelling, based on geoscientific data and best practices. This step is the only way to accurately understand mineral potential and make land management decisions that are evidence-based. Without taking such an approach, we invite uninformed decision-making and risk abandoning economic development opportunities and the inputs needed to transition to net zero.

Ensuring the Inclusion of Indigenous Communities in the Mining Life Cycle.

Improving the effectiveness of regulatory regimes is paramount for the success of mutually-beneficial partnerships that allow Indigenous communities to meaningfully participate and maximize the social and economic opportunities of the mineral industry.

The mineral industry is the largest private-sector industrial employer on a proportional basis of Indigenous Peoples in Canada and a key partner of Indigenous businesses from coast to coast to coast. PDAC is keen to engage throughout implementation of Bill C-15: *An Act Respecting the United Nations Declaration on the Rights of Indigenous Peoples* (UNDRIP) and in developing the Action Plan.

Action Plan consultation must reach Indigenous communities and affected industry stakeholders in all parts of Canada. PDAC urges the government to allocate sufficient resources to engage with the mineral exploration sector throughout the consultation processes to ensure holistic development of the Action Plan.

A significant barrier for equitable inclusion of Indigenous communities in engagement with the mineral exploration and development industry, particularly in remote and northern regions, is a lack of reliable high-speed internet and communication infrastructure. In many communities, this connectivity does not even exist. Given the significant logistical challenges of operating in a remote region of Canada, in-person consultation can be extremely challenging. PDAC strongly recommends the immediate dispensation of previously earmarked funds to create new, and bolster existing high-speed broadband infrastructure



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across Canada's north. These efforts should focus on Indigenous communities to increase the opportunities to participate more actively in all stages of mineral exploration and development. This will have a secondary benefit of providing junior exploration companies with better access to broadband infrastructure, which would support modern exploration activities and potentially alleviate some of the cost burden associated with operating in remote areas.

PDAC calls on government to establish a one-window approach to add clarity on how communities can apply for funding under Budget 2022 commitments regarding *Partnering with Indigenous Peoples in Natural Resource Projects* to ensure programs are well advertised and utilized. Government should also commit to periodic evaluation of the program to gauge effectiveness, capacity and expand available funding if needed. Furthermore, we recommend that the government consider PDAC's own [Social](#) and [Economic](#) Impact studies and invest in further federal research on these topics.

We urge the Federal Government to honour their commitment towards the implementation of the Truth and Reconciliation Commission's Calls to Action and National Inquiry into Missing and Murdered Indigenous Women and Girls' Calls for Justice. We encourage the government to deliver on promises to invest in education, health and critical infrastructure such as housing, water and high-speed internet. Specifically, we recommend that the government provide additional funding for training and educational services for Indigenous leaders and communities to build capacity in order to ensure meaningful and equitable participation in the mineral industry and future regulatory consultation processes.

As a proven leader in Indigenous engagement, the mineral industry understands that knowledge of regulatory regimes, access to education opportunities and increased capacity lead to collaborative partnerships. Equitable participation in future regulatory consultation processes will foster integration of traditional knowledge into mineral industry activities and creation of mutually-beneficial relationships between industry and Indigenous Peoples in Canada.