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Chair

Mr. James Maloney

Standing Committee on Natural Resources

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● (0850)

[*English*]

The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)): Good morning, everybody. I apologize for starting a few minutes late, but we had some geographical challenges to deal with this morning. Here we are.

Mr. Austin and Mr. Beaty, thank you very much for joining us today.

We'll give each of you up to 10 minutes for a presentation and then turn it over to the committee members for questioning.

I'll turn it over to the two of you. You can decide who will go first, if you haven't already.

Mr. Ross Beaty (Chairman, Pan American Silver Corp.): Do you have a coin?

Mr. Dale Austin (Manager, Government Relations, Cameco Corporation): Would you like the floor?

Mr. Ross Beaty: Thank you very much, Mr. Chairman.

Good morning, and thank you for giving me the opportunity to make these comments today.

By way of background, I have personally worked in the minerals industry both in Canada and internationally for nearly 47 years now, since my very first job exploring for copper and gold in northern British Columbia in 1970. Along the way, I have founded 14 Canadian mineral resource companies and one clean energy company. Four of these companies exist today, all public companies on the TSX, and 10 have been sold off to larger resource companies.

My career has taken me across Canada and around the world. I've worked in over 50 countries and have current projects in 18 countries. For example, one of my companies, Pan American Silver, which I founded in 1994, is now the world's second largest primary silver mining company, with 7,000 workers employed at seven operations in Mexico, Peru, Bolivia, and Argentina. Our head office is in Vancouver.

For some context in discussing government involvement in our business, here are a few things. I guess it's kind of motherhood, but I thought I'd start with reminding us all about those.

The first is that mining is a cyclical industry. It is governed by global turns in business cycles. There is nothing government can do about that, but companies know this. Well-managed companies know that cycles exist and plan accordingly. Poorly managed companies don't, so when markets turn and they get into trouble, governments should be loath to step in. Markets do this well.

Second, mining companies are price-takers. Revenues are set by world markets and global demand. Government policies typically cannot improve gross revenues, but they can hurt gross revenues when, for example, applying taxes like royalties that are revenue-based. These kinds of taxes are regressive and decrease production and mine life. Everybody loses.

Third, mining companies can typically do little about costs as well. Mining costs are largely set by the unique nature of every mineral deposit: its grade, tonnage, location—deep or shallow, for example—geometry, and complexity. It's true that a great management team can make a mine more profitable than a bad team can. It's also true that enlightened fiscal and regulatory conditions in one jurisdiction can make a mineral deposit profitable, while less attractive conditions in another jurisdiction will make the identical deposit unprofitable.

Canada has world-class mining and exploration industries. These are different businesses. Exploration, although it's part of mining, is quite different from mining. They are run differently, by different people with different kinds of agendas, typically.

Both of these industries, though, are thriving, and Canadians should be really proud of what we have today. In both of these industries, we are world leaders. Canada and Canadian companies have an outstanding reputation globally for best-practice environmental standards, technology, health and safety programs, corporate social responsibility practices, and honest dealings.

Mining is one of Canada's centres of excellence. This expertise includes mature and deep capital markets that supply risk capital to Canadian companies, healthy and well-regulated public markets, engineering and technology leadership to world projects, strong accounting and legal support teams across Canada, and, increasingly, expertise in corporate social responsibility programs. We are good at this because we have had great government support to all these programs for many decades, and because government has largely let the mineral resource industry look after itself within societal norms, which of course change over time.

I am not a big fan of government trying to do things that aren't needed. Our industry is not broken, and it does not need fixing. We don't need the endless bureaucracy and obstacles to fix non-problems. For example, a few years ago there was a ridiculous debate here in Ottawa about Canadian mining companies working overseas doing allegedly unethical activities. I know what's going on internationally. I have been doing that most of my career. The problem was minuscule—high-profile, but minuscule in actuality—but the proposed solution in that bill would have created all kinds of wasteful and unnecessary procedures that simply would have hurt the good players, which most companies are, while doing very little to solve the problem. I'm very glad it was defeated, and I hope that kind of ignorant action doesn't resurface any time soon.

● (0855)

Having said that, there are some areas the government can help with, and one of them is education and training. Obviously, Canadian industry benefits from a well-trained workforce, and this needs to be given constant attention. Great graduates create great companies.

Government support for new technology and innovation should continue; it's critical to helping our industry survive the future. Weirdly, the mining industry in Canada has not innovated nearly as thoroughly as many other industries have. Exploration and mining technology is little changed from that of about 50 years ago, even 100 years ago, other than in certain areas like heap leaching, for example. But future mines will be deeper and lower grade and therefore higher cost, unless we are able to reduce costs through innovation. For example, remote mining methods, robotics, more digital technology, better waste management, and more efficient energy sources and uses are needed.

Now I'll say a few words about first nations, and generally speaking, gender and ethnic diversity in our industry. This is motherhood, but I think it is important for you to understand my perspective on this.

The problem in our first nations communities in Canada is profound, but I think the mining industry is helping to improve things in this area. Every single mine in Canada, and many exploration projects, active or proposed, has a program to involve local first nations communities. This doesn't need to be forced on industry by government; it's happening because it's good business. Government should focus on helping with basic education and health initiatives, and not get involved in creating the specific programs that burden the minerals industry with unnecessary regulations.

The same can be said for gender diversity and ethnic inclusion. It's true that mining has been a male domain for many decades, but things are changing quickly today. You will see a very different mix of gender and ethnic diversity in just a few years as young women and people of different ethnic origins enter the mining workforce in Canada from universities, where they are so well represented.

Regarding the environment, environmental protection is an area that obviously does require strong government oversight. Waste management, land use, protection of biodiversity, reclamation practices, and energy use are all important areas where government review is essential. It cannot be left to mining companies. Tailings dams in particular are the Achilles heel of the mining industry and need strong government involvement to ensure proper design, proper operation, and proper decommissioning. In the rare event that tailings dams fail, it creates Herculean problems for absolutely everybody. We have to be more and more attentive to this; we cannot afford a single.... For me it's like an airplane crash: it's such a disaster, and it's typically something that can be prevented. This is one area where I encourage more government scrutiny.

Another area is sustainability. Sustainable mining, of course, is an oxymoron. Mining is non-renewable; sustainability implies something permanent. But mines can create more sustainable communities in creating safe and clean working practices, maintaining as healthy a natural environment as possible, and partnering successfully with employees, contractors, communities, and governments. Properly done, these will create a stronger educational, economic, social, and natural environment that will persist long after mining ceases.

This needs plenty of government support, especially in ensuring mine reclamation is properly bonded and executed. For example, I see worrisome reclamation practices in the oil sands, which is fundamentally Canada's largest mining operation. I fear that a big mess will be left there if oil companies are unable financially to reclaim the vast areas impacted by mining. We can do better there, but you cannot rely on companies to do it without big involvement from government.

There are some areas of special concern to me. One is water extraction, use, and recycling. Another is attention to loss of biodiversity at mine sites. Applying an economic value to natural capital in assessing the impact of mining will help quantify the loss of natural lands and the mitigation needs.

● (0900)

With liquid, gas, and solid-waste management, a stronger focus is needed on creating less waste and ensuring zero discharge.

For energy use and intensity, the use of renewable energy needs to be a priority where possible, especially when alternative energy sources are fossil fuel based. To support this, a cost must be applied to mine emissions that harm society at large, and the best example is carbon pollution. Carbon pricing is the best and most transparent way of applying a price on pollution and encouraging innovation to reduce emissions.

To conclude, I support government action in maintaining the building blocks that have made our industry strong and that will keep Canada's minerals industry strong well into the future. Our world-class education facilities, capital markets, fiscal policies, and environmental health and safety policies will ensure we remain world leaders in this business sector. We're world leaders respected not just for our technical expertise and market strength, but also because we're doing the right thing for humanity and for the myriad creatures on earth that give us fresh water and clean air. If we do that, we can build a sustainable industry and a greater country.

Thank you.

The Chair: Thank you very much, Mr. Beaty.

Mr. Austin.

Mr. Dale Austin: Thank you.

Good morning, Mr. Chair and members of the committee. It's my pleasure to appear here this morning on behalf of Cameco Corporation. My name is Dale Austin. I am Cameco's manager of government relations.

In my remarks this morning, I'd like to provide a brief overview of, first, Cameco and our operations; second, our successful and long-standing relationship with the indigenous and northern Saskatchewan partner communities that support our operations; and finally, the role of innovation and trade in the success of our business.

Headquartered in Saskatoon, Saskatchewan, Cameco is one of the world's largest producers of uranium for nuclear energy, accounting for roughly 18% of total global production. The vast majority of that production comes from our extensive mining and milling operations in northern Saskatchewan. We also maintain production sites in the United States and Kazakhstan. In addition, we own uranium refining, conversion, and fuel fabrication facilities in Blind River, Port Hope, and Cobourg, Ontario. We are the sole provider of these conversion facilities for Canadian CANDU reactors.

Through these activities, Cameco employs a total Canadian workforce of about 4,000 direct employees and long-term contractors, a significant number of whom are indigenous residents of northern Saskatchewan. I'll expand on that a little more in a moment.

Cameco's vision is to energize the world as a global leader of fuel supply for clean air nuclear power. Our mission is to bring the multiple benefits of nuclear energy to the world. We play a big part in the energy equations of many countries, including here in North America, where Cameco uranium powers roughly one in every 10 homes in Canada and one in every 19 homes in the United States.

Now that you know a little bit more about Cameco, I'd like to spend a few minutes discussing our indigenous partnerships and the role they play in the success of our company.

Indigenous engagement and employment have been a priority for Cameco since our company was formed in 1988. Our success depends on the long-term, positive partnerships we have built with first nations and Métis communities where we operate, particularly in northern Saskatchewan. We are proud to be Canada's largest industrial employer of indigenous people, with nearly one-third of our total Canadian workforce being composed of individuals of first nations or Métis heritage.

Cameco's indigenous partnerships are a leading example of how the private sector can engage directly with local stakeholders to ensure that a company's success and a community's success are intertwined.

These partnerships have led to over 70% of all of the goods and services we use at our operations in northern Saskatchewan being procured from northern or aboriginal-owned businesses, totalling more than $3 billion over the past decade.

Resource development is often cited as the best way to improve the socio-economic situation for indigenous Canadians, yet project approvals are becoming more difficult to obtain. New projects in Canada's north, where they have the support of local communities and can tap into the expertise of indigenous Canadians, in our view are the most direct way to long-term improvements. Cameco supports further investments, both public and private, in Canada's north that will increase opportunities for indigenous Canadians to live in their home communities and access educational and economic opportunities.

Moving on to a new topic, if committee members are looking for suggestions as to what government and industry can do today to create a strong foundation for future growth, then Cameco would recommend infrastructure investments in remote northern communities, rational regulatory processes that facilitate development, and finally, trade promotion in emerging markets.

As I stated, the majority of Cameco's mining and milling operations are situated in northern Saskatchewan. Because of the remote location of these facilities and the general lack of supporting infrastructure—transportation, aviation, electricity, telephony, broadband—our cost of doing business is considerably higher than that of our competitors, putting Cameco at a disadvantage. This situation is similar for other companies operating at remote sites.

Improved infrastructure would increase the global competitiveness of our industry and open opportunities for development in the north, resulting in significant economic and social benefits for all Canadians.

Canada's resource wealth has long been a major driver of the country's financial health, socio-economic well-being, and job creation efforts. Canada's present fiscal challenges serve as a reminder of the important impact on Canadians when the natural resource sector is not firing on all cylinders.

● (0905)

The current depressed state of the uranium market mirrors the situation for most other commodities. The spot price of uranium today has sunk to roughly $25 a pound, about half of what it was five years ago. While the uranium industry does not garner as much attention as the oil and gas sector, the impact of lower prices for a longer period of time similarly results in reduced employment, investment, and exploration.

Canadians must also have confidence that economic factors do not trump environmental or social considerations when it comes to development. With a foot in both the mining sector and the nuclear energy sector, Cameco operates under an extremely robust and thorough regulatory regime that is based on scientific evidence. We welcome this high degree of regulatory oversight, since it helps to assure the communities where we operate that our operations are both safe and responsible.

Canada's economic prosperity is, to a significant extent, linked to our ability to responsibly and sustainably develop and export our abundant natural resources and value-added products. Canada's regulatory and environmental assessment processes should ensure that resource projects proceed safely and with minimal impact on the environment, rather than being used as an instrument to delay or cancel projects.

Canada's uranium mining industry, and the nuclear industry as a whole, is positioned to be a world leader for decades to come in both domestic and international markets.

In recent years, Cameco has finalized sizable uranium supply agreements with two Chinese utilities and our first ever sales contract with India. Commercial trade with China and India, as with many developing countries, is considerably different from what it is with Canada's traditional export markets, like the United States and western Europe. Government-to-government relationships are incredibly important to getting business done in these countries.

A targeted strategy focused on Canada's nuclear industry to promote nuclear trade and investment with developing nations, particularly China and India, given their ambitious plans to build new reactors and meet their growing electricity demand, would be extremely beneficial.

Even though this portion of the committee's work is focused on the mining sector, I would be remiss if I did not spend a couple of minutes discussing the nuclear sector as well.

As a company that mines uranium, we have our feet firmly planted in the mining, energy, and nuclear sectors. Canada's nuclear sector remains a global leader in uranium production, technological innovation, and electricity generation. Nuclear energy has a significant role to play in addressing global climate change. Current use of nuclear energy worldwide helps the planet avoid some 2.5 billion tonnes of carbon dioxide emissions every year, if the same amount of electricity were produced using fossil fuels.

In Canada, roughly 60% of Ontario's electricity mix comes from nuclear power, enabling the province to become the first jurisdiction in North America to successfully phase out coal-fired power, using strictly Canadian reactor technology.

This is a major contribution to global greenhouse gas reduction efforts, of which our company is extremely proud, facilitating the generation of clean, carbon-free baseload electricity that in most instances would otherwise be produced using greenhouse gas-emitting sources.

Cameco's leadership position in this industry is even more noteworthy, considering the bulk of our competitors are either state-owned enterprises or backstopped by the public treasury, or are multinational mining conglomerates for which uranium comprises only a small fraction of their balance sheets.

As the committee considers input to its report on the future of Canada's oil and gas, mining and nuclear sectors, we would ask that it continue to recognize the contribution that nuclear energy and all products along the nuclear value chain make toward our goal of cleaner air and a low-carbon economy.

Thank you for listening. I look forward to your questions.

● (0910)

The Chair: Thank you very much, Mr. Austin.

I'll turn it over to Mr. Lemieux for the first round of questions.

[*Translation*]

Mr. Denis Lemieux (Chicoutimi—Le Fjord, Lib.): Thank you, Mr. Chair.

Thank you, of course, to the two witnesses.

My first questions are for Mr. Austin.

Last week, the president of the mining association of Canada explained to our committee how the 39 members of the association adhere to four principles. The first principle is sustainable mining. The second principle is the commitment to maintaining a good relationship with the first nations. The third principle is biodiversity protection and conservation. Lastly, the fourth principle is the implementation of an exemplary energy and greenhouse gas reduction management system.

Is the Cameco Corporation inspired by those principles?

[*English*]

Mr. Dale Austin: Thank you very much for the question.

Yes, I would say that we are inspired by those four principles. They align very closely with the principles of how we operate, including safety, workforce development, community engagement, and respect for the environment. We are members of the Mining Association of Canada, and we support their activities in these areas. Yes, we are inspired by the work the Mining Association of Canada is doing, and support them in their efforts.

[*Translation*]

Mr. Denis Lemieux: Can you tell us how the Canadian government could help you improve those four principles?

[*English*]

Mr. Dale Austin: As Mr. Beaty said in his remarks, we believe there is not that much wrong in the mining sector in Canada. In many ways, we have a long-standing, good relationship with our indigenous communities on environmental approaches. We believe that, as the current government has stated, environmental processes based on scientific evidence and results of those processes—decisions are taken based on the result of scientific evidence—would go a long way to improving the certainty of outcomes.

In many cases, it is the uncertainty of the outcome that is the challenge for us. We are in one of the most heavily regulated sectors in the economy. We appreciate the need for that regulation. We are looking, as are many other companies, for certainty with respect to process. With that certainty in respect to process, we believe there will be certainty with respect to outcomes, as well.

[*Translation*]

Mr. Denis Lemieux: Mr. Austin, I have another question for you.

Last week, the president of the mining association of Canada explained that the Canadian mining industry is no longer as competitive as it used to be. Do you share this concern? If so, why?

[*English*]

Mr. Dale Austin: That's an interesting question.

I would say that we are as competitive as we can be, given the circumstances. Commodity prices in our industry have taken a toll on our ability to explore and look at new contracting opportunities. All of that is to say that it has focused our need to look at cost savings and to look at the efficiency in our processes.

Are we as competitive as we could be? I would say, no. There is always room for improvement, but we see our industry on sound footing compared with our global competitors. That would be my answer. Is there room for improvement? Yes, I believe there is, always. If we are, as Monsieur Gratton says, less competitive, I would say it is a minor issue.

● (0915)

[*Translation*]

Mr. Denis Lemieux: You said that Canada's regulatory and environmental assessment processes should ensure that resource projects proceed safely and with minimal impact on the environment rather than being used as an instrument to delay or cancel projects. Can you elaborate on that last point?

[*English*]

Mr. Dale Austin: Certainly. We believe the regulatory system in Canada is one of the strongest in the world. It provides certainty for citizens and for companies that the process will be based on scientific evidence.

What we are seeing not only in our sector, but also in other sectors of the economy is the ability for information and groups that have a particular point of view to usurp the process and extend the timelines beyond what we believe are feasible.

There is an opportunity, and there should be an opportunity, for all Canadians to have input into the regulatory process. We would like the decisions to be made on scientific fact and a process that is bound by timelines. We are looking for certainty in the regulatory process. It allows us to make capital decisions with the knowledge of timelines we are going to work to, and that is the point. Oftentimes we see—and certainly I believe—that the processes are becoming drawn out, and a number of factors other than scientific evidence are being taken into account.

[*Translation*]

Mr. Denis Lemieux: I would like both witnesses to answer my next question.

What priority decision should the Canadian government make to help the mining industry maximize the benefits of the next economic upturn in the mining sector, or, in Pan American Silver's case, to help it invest in Canada?

[*English*]

Mr. Ross Beaty: We're not in a bear market anymore. The mining industry went four or almost five years in a downturn, and that pretty much ended in January this year. Certainly gold and silver prices have gone up 30%, and most precious metals companies have raised a lot of capital that they needed to, and they're making money again.

I think this is going to be another long-term trend. This is, again, one of these cyclical turns that we see. This is a fact of our industry, and it has been forever. Some members of the base metal industry and the ferrous metal industry are in trouble. Iron ore is in trouble, and coal is in trouble; at least thermal coal, which makes electricity, is pretty much a dead business now. On coking coal, prices have doubled or tripled in the last few months, so all of a sudden the companies like Teck that were in trouble are now really doing well. This is how quickly things change.

As I said, I think that's just a natural part of our business. Good companies manage their business accordingly, and bad companies don't, and that presents opportunities, challenges, and advantages.

These are things that government really can't do much about.

The Chair: I'm going to have to stop you there because there are time restraints.

Ms. Stubbs.

Mrs. Shannon Stubbs (Lakeland, CPC): Thanks to both of the witnesses for taking the time to be here and for the presentations.

We heard earlier in the committee that Saskatchewan is the best place in Canada in which to invest in mining and mining development, so I'll focus my questions with you, Mr. Austin, since your operations are headquartered and primarily in Saskatchewan.

I would like to get a little more into this issue around certainty in the regulatory process. You've articulated and echoed commentary from other representatives about how important it is for capital planning, and I have noted your comments about the need for a rational regulatory process that facilitates development. I also note that, in your view, the regulatory system in Canada is the best in the world and is robust, thorough, and based on scientific evidence.

I know my colleagues believe that these processes shouldn't be used as an instrument to delay or to cancel projects. I think that, as members of this committee, we're all seeking ways that government can either streamline or improve fiscal and regulatory policies to help facilitate development because of the prosperity and the jobs that responsible natural resources provide.

The Liberal government does continue to talk about launching a review of the Canadian Environmental Assessment Agency. That was said as recently as Tuesday by the Parliamentary Secretary to the Minister of Environment in the House of Commons. I wonder if you've heard anything about that or if your association has heard anything about that. The comments that we've heard publicly are that the public consultations of the review process were supposed to start in September, and the new process is supposed to be in place by January. I don't know if you or the association to which you belong have heard anything about that from the government or have been in consultations on that review.

I wonder if you might talk about the repercussions if, in your view, there are any, on the signals that there are impending changes, and what government really should be doing to instill confidence in the investment environment to signal to investors that Canada is open for business.

● (0920)

Mr. Dale Austin: With respect to the environmental assessment review, Cameco is part of the Canadian Nuclear Association as well as the Mining Association of Canada. We have direct representation on the multi-interest advisory committee, which is providing advice to the expert panel on the EA review, so we have been directly engaged in that process.

The timelines are extremely tight; there's no doubt about that. But we have been engaged at the multi-interest advisory committee table, and with the expert panel as it goes across the country hearing from witnesses. We made presentations in Saskatoon, I believe, last week, and some of our indigenous community leaders were involved in that process. The process is certainly under way.

I will echo what I said earlier in that we would support any changes to the EA process that focus on the use of scientific evidence for decision-making and certainty in terms of process, timing, and the type of research that is required to make decisions.

In terms of what we can do to ensure investment certainty, as Mr. Beaty said, there are certain things governments can do and certain things they cannot do. Investor certainty is something we need to do as a company.

Our Millennium mine in northern Saskatchewan is an example. Using the evidence that was available at the time, it was determined that there were no environmental impact issues where our Millennium mine site would be. Environment Canada decided that there could, in fact, be issues down the road based on research that may be conducted in the future. As a result of that idea that there could be environmental impacts in the future, they were not prepared to give us a no adverse impacts ruling that would allow our mine to proceed.

What Environment Canada told us was that we could go ahead and build our Millennium mine, but they reserved the right to come back years down the road, looking at future evidence, and potentially impose operating conditions on our mine site. Not surprisingly, given our responsibility to shareholders and our capital investments, those were not conditions under which we could build a mine. The idea that we would build it, and then at some future date there would be conditions imposed on how we might operate that mine, made it extremely challenging.

As a result of that uncertainty, that $2-billion mine project in northern Saskatchewan that would have employed somewhere in the neighbourhood of 300 people, along with opportunities for other indigenous business, did not go ahead. And you know how capital investment works. It's not as if we're holding on to that money and waiting for the right time. That capital was deployed elsewhere in our operations around the world.

It is that type of uncertainty we're trying to deal with. The scientific evidence was there. I won't say it was ignored, but there were other options that were considered that made the decision one where we could not proceed.

● (0925)

Mrs. Shannon Stubbs: Thank you.

I think I'm done.

The Chair: You have one more quick question.

Mrs. Shannon Stubbs: Would you like to expand very quickly on some of your work with first nations communities and any specific successes?

The Chair: In 30 seconds.

A voice: I'll follow up with you, Dale.

Mr. Dale Austin: Fair enough.

People come to us sometimes and ask how we do this, what's the magic sauce or the silver bullet? We say to governments and other companies that there isn't one. It's long-term relationship building and a level of trust with the communities in which we operate. We benefit from the fact that our mines are in place and operate for a very long time. It allows us the opportunity to build relationships with our local communities, with indigenous leaders.

We do annual polling. We have 80% support in northern Saskatchewan for our operations.

There is no silver bullet, unfortunately. It does take time and significant effort.

The Chair: Thank you.

Mr. Cannings.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you both for coming here today.

Mr. Beaty, you talked about energy efficiency and renewable energy. You mentioned that you had experience in the renewable energy field as well as in mining. I wonder if you could expand on that theme and talk about what mining could be doing in that regard.

Mr. Ross Beaty: Sure. Thank you very much.

Mining can do a lot in the campaign that we all have to make to move away from a fossil fuel-based economy to a more sustainable clean energy economy. One of the problems of mining is that it requires baseload energy. That means energy 24/7. Typically wind and solar, for example, are intermittent forms of energy, so renewable energy isn't ideally suited to mining operations. However, it can be an adjunct, especially in places where mines rely on diesel power, which is typically imported from far away. It is expensive power. You can decrease the cost of that using the new reality of renewable energy, which is that it's competitive with almost every other form of electricity generation.

Costs are coming down quickly in those businesses, and this is just good business. Almost every mine that I know of is looking at putting in renewable energy as an adjunct to their existing forms of energy generation, electricity generation. It's just good business to do it. It decreases your costs. To the extent that Canada and other countries impose a price on carbon, it will make it even better business to do. Most companies understand that's likely to happen in the future and are taking action now to try to reduce their carbon footprint across the board.

One big way to do that is to bring in wind power, solar power, and hydro power to the extent it's around and available, as well as other forms of electricity generation. They are also trying to reduce the use of energy, which requires more innovation. These sorts of innovations are driven in part by government policy. If Canada imposes a price on carbon, you're going to see a lot of innovation by companies to find ways to reduce their energy footprint, and alternative forms of energy that don't use carbon.

This is one of the direct results that will come from that kind of policy.

Mr. Richard Cannings: To follow up on that, you didn't mention geothermal. I read that you have some experience in geothermal and I know there is some interest here now in using such things as spent oil wells as a broad source of geothermal energy. Is that something we could be tapping into?

Mr. Ross Beaty: Mr. Chair, and members of the committee, I also run a clean energy company and we're the largest producer of geothermal power in Canada. Geothermal takes the earth's heat and either makes electricity from it, which needs very high heat pools in the earth, or makes space heat to heat rooms like this, which requires much lower temperature earth heat resources.

We produce electricity in Iceland and the United States from geothermal heat. You need really hot temperatures. You need all kinds of things to work together. It's a very risky, very high-cost business. Typically it doesn't work in Canada. We just don't have the right resources in Canada to make geothermal electricity. However, geothermal heat can and will be used as a core part of our low-carbon future across the country, taking advantage of the fact that if you drill a hole 100 feet down in the earth, everywhere it will generate heat that can be used to heat buildings and mines and communities. Over time, it's going to be a growing source of energy generation in Canada for space heat, which is a big chunk of our energy requirements. It's a slow business, but I see that it will definitely increase in use.

As for geothermal electricity, I think we should forget about it. It's just not economic today. I can tell you that from a lot of experience at the school of hard knocks and a lot of bruises I got. I blew a lot of money in that business before I came to that realization.

● (0930)

Mr. Richard Cannings: Okay. I have another question for you about environmental assessments. You talked about how important it was for mines to be environmentally responsible, especially since we are, as was mentioned previously, in the process of changing the environmental assessment process in Canada. I just wanted to know what your comments on that might be.

Mr. Ross Beaty: I'll try to be brief.

The trade-off for government and the trade-off for everybody is how to balance regulation with business. How do you make an environmental regulation functional, so that it doesn't waste time and it doesn't waste money, with the relevant things and unimportant things, and it really focuses on the stuff that's important? As I said, style of management is really important. That has to be super-stressed. As we go into the future, things that are invisible but are very threatening to human existence, such as carbon pollution, loss of biodiversity, are things that we have to think of more and more and build into the environmental regulations, because they're critical for human existence; they're existential threats.

Looking after water management is increasingly important. I think Canada has recognized it's an area that we have to look after. Applying some infrastructure spending to things that can help with this, and can help the mining industry plus communities along the way are good things to work on. It's a question of how you get the mix right, how you really look after the environment. As I said, you can't rely on companies by themselves to do it. They just cannot do it. As well meaning as companies are, there's simply too much tendency to drive to the lowest-cost solution. That's not always the right solution.

I think Dale's comment that we can't throw the baby out with the bathwater, we can't have too big an infrastructure of environmental regulation is true, but we also have to get it right. I know the federal government is working hard to do that. I have faith in the system. It has worked in Canada. We just have to be vigilant that we don't make the rules too tough, complicated, or in the wrong direction to hurt the industry where it doesn't need to be hurt.

On reclamation management, I think we can beef that up, particularly in some areas which have a really big impact. I'm concerned, for example, at the end of a mine life.... What happens typically is that a mine comes to an end, either because the reserves are depleted or economic conditions change. When economic conditions change, when there's a downturn, companies close mines when they can least afford it. Often they have, in many cases in Canadian history, gone bankrupt without having the capacity to reclaim the operations.

Government management, environmental rules that require reclamation as the mine goes, or bonding properly to avoid the problem with bankruptcy are ways.... It's kind of like the Canada pension plan. These are ways that you can deal now with the problem that you know is going to come at you sometime in the future. Perhaps we need to change the way we currently think of reclamation management.

The Chair: Thank you, Mr. Beaty. I hate to keep doing this, but we have time constraints that we have to abide by.

Mr. Tan.

● (0935)

Mr. Geng Tan (Don Valley North, Lib.): Thank you, gentlemen.

I want to ask a few questions. I know Cameco is the largest uranium producer in the world. Actually, the first time I saw yellowcake is about 10 years ago, in Chalk River. Since then, gradually I have come to understand and have learned that the nuclear industry can provide society with very stable, reliable and clean energy.

Right now, the uranium market worldwide is experiencing a very serious downturn in price. I had a quick look at your second quarter financial report and found the company had a loss of about $57 million for the second quarter only.

In your opinion, how do you see the price of uranium trending in the near future? With such historically low commodity prices, how can the company survive? That's probably a typical question for most mining companies. What is the near-term solution for the company? Do you want to lower your production, or do you want to cut jobs, or do you want to identify some investors with fresh capital?

On investment, in your opinion, what will the tipping point be at which investors will show interest to begin investing in your company or the mining industry?

Mr. Dale Austin: In terms of the uranium market, we certainly believe that we are in an environment of a lower price for a longer period of time. We certainly had expected the price to rebound by now, but certain global conditions are making that challenging. There is a glut in the global supply of uranium right now that is holding prices low, partially because of the situation in Japan with the number of Japanese reactors that are no longer in operation, and also the decision in Germany to get out of nuclear power.

We certainly see the long-term fundamentals of the market being much stronger. One of the interesting things about our industry is that we are looking 10 to 20 years into the future in terms of contracting requirements. There is a significant number of new-build nuclear reactors occurring around the world. China has 24 reactors, new builds, under way. India has six. There are other places where there are new reactors being built. We also see, certainly, the potential for a number of those Japanese nuclear power plants to come back online. The long-term fundamentals of the industry we certainly believe are strong.

In terms of our own situation, we are a financially stable company. We continue to look for efficiencies given, as I said, the lower for longer situation that we are in.

Mr. Geng Tan: You talked about Germany. I'm not sure, but I guess that Germany may mostly use Areva reactors. I don't think that they purchase too much uranium from Canada.

Also, on August 11, your company released its sustainable development report for 2016. Maybe you could share some highlights with the committee.

Mr. Dale Austin: Certainly.

Cameco this year was again named Canada's most sustainable company by Corporate Knights. We're very proud of that designation. We spend a lot of time and effort on sustainable development, both in terms of environmental assessments and in terms of environmental monitoring, which we do in co-operation with our northern communities.

Basically, if you delve into our sustainable development report, you will find that Cameco is one of Canada's leading mining companies when it comes to sustainable development.

● (0940)

Mr. Geng Tan: We're talking about assistance from the federal government. From your point of view, what is the most effective way for the government to get involved? Are you asking for policy change, a tax credit, or a significant injection of capital? Which would be the most effective way for your company?

Mr. Dale Austin: The most effective way for our company would be for the government to be in a position to approve projects where they have the support of local communities and the business makes sense. From our point of view, as I said, the mining sector in Canada is a very strong sector. We do have projects that we are interested in within Canada, and we are looking for ways to have those projects approved.

The concern for us these days is that the projects that are producing now, the mines that are producing now, were based on decisions that were made sometimes decades ago. With the amount of time that it takes to get a new mine into production and the amount of time that it takes in order to get approvals, you're looking at no new mines coming online for another 10 or 15 years. We're concerned that there may be a production gap between the approval of new mines and the ability of our legacy assets to continue producing.

I guess my one request of the government would be to look at ways to have approvals for new projects that have the support of communities and sound market fundamentals.

The Chair: Thank you. That's your time.

Mr. Barlow, you have five minutes.

Mr. John Barlow (Foothills, CPC): Thank you, Mr. Chair. I appreciate it.

Thank you very much, Mr. Beaty and Mr. Austin, for being here today. This is some great information, and it's much appreciated.

There is one thing I wanted to ask Mr. Austin about. We've talked a lot today about the price on carbon and those types of things. Saskatchewan does not have a provincial carbon tax, and the Liberal government announced earlier this month that it would impose a carbon tax in the provinces, whether they liked it or not, if they didn't meet certain emission targets. If the provincial government does not want to go that route, maybe they want to go a different route on the price on carbon. I believe that is their responsibility.

Can you tell me about the impact that would have on your Saskatchewan operations? What impact would it have on Cameco if you had a carbon tax imposed on your operation?

Mr. Dale Austin: Thank you for the question.

It would certainly have an impact. It would drive up some of our costs. One of the things about the uranium mining industry in northern Saskatchewan is that we are a very low carbon emitter. A recent study from the University of Saskatchewan, which I think was released a couple of weeks ago, demonstrates that our emissions are very low. If you look at the life cycle of GHG emissions in the nuclear sector, you'll see that, not surprisingly, they are very low.

One of the areas where we do have a particular interest is the impact we have on global climate change. As I am sure committee members are aware, climate change is an atmospheric challenge. It doesn't really matter where the emission reductions are taken, the impact is the same. As I said, with chemical uranium, about 2.5 billion tonnes of carbon are taken out of the atmosphere every year from electricity generation, if that electricity is generated from nuclear and not using fossil fuels. We are obviously interested in the global impact we have, and whether that may be taken into account as the federal government is looking to work with the provinces on their climate change strategy. What does that look like? Is there any opportunity for us to garner some credit for the impact we have globally?

Mr. John Barlow: What was that number again?

Mr. Dale Austin: It's about 2.5 billion tonnes of carbon annually. Let me just refer to my notes.

Mr. John Barlow: Bill Bennett, somebody we know well, mentioned to me that every time you take one coal-fired power plant offline in China, it makes B.C.'s GHG emissions neutral. I think that's a vison we have to take, more of a global vision, whether it's LNG or uranium. The impact we have globally is something that I think we should have as an idea as well.

Mr. Beaty, did you want to add to that?

● (0945)

Mr. Ross Beaty: Yes. Let's remember that the oil price has gone from $110 a barrel to $45 a barrel. That is a very profound benefit to every single user of oil in Canada. The offset against a very small increase in a carbon tax, for example, is minimal compared to that. There has been this huge benefit to every single user of fossil fuels, and a carbon tax hardly changes that in terms of driving costs.

The second thing is that, for export industries in Canada such as mining companies, there should be some kind of offset to a carbon tax that makes the products more competitive internationally in places where there are no carbon taxes.

The third thing is that increasing the cost of something like energy input creates innovation that reduces that cost. That's really what drives innovation, companies trying to reduce their costs, trying to find better ways to do things. That is why Canada has such a strong mining industry and some core advantages, because we are good at doing that. We respond to these forces, and we find better solutions. I think what we are going to get to is a really strong, innovative clean tech industry coming out of something like a carbon tax.

Mr. John Barlow: Mr. Beaty, you were talking about the burden of the regulatory regime and that it can be a deterrent to mining. I noticed that Pan American Silver doesn't have any operations in Canada. Is this a reason? I know we are not a huge silver—

Mr. Ross Beaty: No.

Mr. John Barlow: —not even in the top 10.

Mr. Ross Beaty: Sure.

Mr. John Barlow: Is that a reason why your company is not exploring?

Mr. Ross Beaty: Not at all. We are focused on silver. Canada is not a major silver producer in the world. Mexico is. Peru is. You have to go where the resource is.

I can speak about Canadian mining companies that are working overseas. It's not as much impact on Canada specifically, on Canadian jobs, but it is certainly an impact on things like head offices, as well as what our reputation is in the world and how we are doing things in the world that we could maybe apply to Canada. That's the connection there.

Mr. John Barlow: How am I doing?

The Chair: That's your time.

Mr. John Barlow: Thanks, gentlemen. I appreciate it.

The Chair: We're almost out of time.

I have one question, Mr. Austin. Just to pick up on something Mr. Barlow asked you and something Mr. Beaty said, if there's a carbon pricing mechanism put in place, then do you agree with the concept that if the money stays in the province of Saskatchewan, for example, that money can drive innovation or be used to motivate innovation?

Mr. Dale Austin: There are a couple of things in answer to that.

We believe a carbon tax is the most efficient way, provided that you are looking at it in concert with other regulatory impacts. A carbon tax with other regulatory impacts may have some inefficiencies. Yes, we believe that a carbon tax is the most efficient way.

As Mr. Beaty said, a carbon tax is a way to drive innovation, because it will drive up costs in certain areas, such as energy inputs, but also drive up straight costs to pay for the emissions.

As we talked about earlier today, the market that the mining sector in Canada is operating in is looking for ways to reduce costs and find efficiencies. If those costs are driven up even marginally, we will be searching for ways to get our costs back in line to where they were to make us profitable companies.

The Chair: That concludes this portion of the meeting, gentlemen.

Thank you very much, both of you. We appreciate your taking the time to join us today and to answer all our questions.

Mr. Ross Beaty: Thank you very much. Thank you all.

The Chair: We're going to suspend for two minutes and get ready for the second panel.

● (0945)

(Pause)

● (0950)

The Chair: Okay.

We're fortunate to be joined now by Gregory Bowes, from Northern Graphite Corporation.

I was going to explain what Northern Graphite Corporation is, but I'll leave that to you, Mr. Bowes. I'll turn the mike over to you for up to 10 minutes.

● (0955)

Mr. Gregory Bowes (Chief Executive Officer, Northern Graphite Corporation): Thank you, Mr. Chair.

On behalf of Northern Graphite, its shareholders and many stakeholders, including the County of Renfrew and the Algonquins of Ontario, I would like to thank the committee for the opportunity to make a presentation today.

We are in an unprecedented period of low interest rates and low oil prices, yet worldwide there is little economic growth. Populations are aging, and birth rates are declining. Japan has had 20-plus years and counting of economic stagnation. Is this the new normal for the western world? It's an extremely important question for governments which almost universally have budget deficits that are adding to already high debt levels. Most forecast that growth is going to skate them onside. Where is this growth going to come from?

I would make the case that the scarce resource worldwide is, in fact, jobs and economic growth, and they have to come first. We all know that wealth must be created before it can be distributed. With it, many things are possible, but it must be achieved within an environmentally sustainable and socially responsible manner. Mega projects, such as pipelines, LNG plants, and the oil sands, get most of the attention, but there are thousands of smaller projects whose collective benefit can be just as significant. Today I want to share some of our experiences and make some constructive suggestions from the perspective of a smaller project.

By way of background, Northern Graphite owns the Bissett Creek graphite deposit, which is located about 250 kilometres west of here, between the towns of Deep River and Mattawa, and about 15 kilometres from the Trans-Canada Highway. Most of you will know graphite as the lead in your pencil, but for many years, its main uses have been in the steel industry and other industrial applications. However, graphite's profile is steadily climbing, because it is a key component in lithium ion batteries and thus the electric vehicle and grid storage markets. It is also a key component in fuel cells, flow batteries, and consumer electronics.

Seventy-five per cent of the world's graphite comes from China, and there are many concerns over environmental practices and resource nationalism. Because of its criticality and security of supply issues, both the United States and the EU have declared graphite a supply critical mineral. So in a few short years, graphite has morphed from being a boring industrial mineral into one that is critical for the green-tech industries.

The lithium ion battery industry, in particular, is already $20 billion in size and growing at over 20% per year. What other industries are doing that in this economic climate? This growth is mainly cellphones, laptops, power tools, etc. Electric vehicles, grid storage, and the replacement of lead starter batteries are far larger markets that are still in their infancy. Substantial new graphite supplies are required, even under the most conservative forecasts, for these markets.

As you can imagine, there are a number of potential new graphite projects competing to supply the western world with this critical raw material. We believe Bissett Creek is the best of these new projects, but that does not necessarily mean it is the one that is going to get built. A new mine requires the support and co-operation of local communities, first nations, provincial and federal governments, and favourable financial and commodity markets. If Canada is to get a share of this exciting growth market, we all need to be on the same team.

Northern Graphite has invested over $20 million in the Bissett Creek project and completed all the required drilling and engineering studies. We have our main environmental approval from the Province of Ontario. This process included extensive first nations and community consultations. We have encountered zero opposition to the project. Construction could start in 2017, subject to financing.

Bissett Creek is about as environmentally benign as a mining project can get. There is nothing hazardous about graphite. We don't use dangerous chemicals, and 97% of the tailings are basically sand. The mine will cost approximately $100 million to build. It will employ about 100 people directly, and there will be another couple hundred jobs in the services and related industries. It will pay approximately $180 million in income taxes to the government over its life, which excludes GST and taxes paid by employees and suppliers.

● (1000)

Northern has also developed two proprietary technologies to manufacture the anode material for lithium ion batteries from the mine concentrates. Much of this is currently done in China because of lax environmental regulations. So you essentially have green batteries, green cars with dirty batteries.

The west not only needs new supplies of graphite, but it also needs alternative technologies to turn the graphite into high-tech products. Testing to date indicates that Northern's technologies are environmentally sustainable and cost competitive. The next step is a pilot plant test to demonstrate them on a more commercial scale, which is about a $2.5-million exercise.

In summary, Bissett Creek does not raise any environmental red flags. There is no opposition. It will create jobs and generate tax revenues producing a mineral critical to the growing green-tech markets. We have developed proprietary technologies to try to bring the value-added processing here to Canada. This should be an easy project, and Northern Graphite is a very good case study with respect to a company negotiating its way through the approval process and trying to get support from various governmental agencies and departments. Unfortunately, our experience in this regard has not been very positive.

I would like to expand on two areas in particular. One is the ability of government agencies and departments to deliver what is being promised at the top, and the second is a lack of financial programs to augment what the private sector can do in terms of financing both the resource and the related technologies.

We experienced a very large disconnect between stated policies and what was being delivered in the field. I cannot emphasize this point enough because it is what we have to deal with on a day-to-day basis. It is what leads to additional costs, expenses, and delays. So if policies and legislation result from the work of committees such as this, it is absolutely critical to develop an action plan that includes a real effort to communicate their intent to the various departments and people in the field and to get their buy-in. Most have been in their departments for years, and they have seen governments and policies come and go.

Bissett Creek is an opportunity to create jobs and generate tax revenues, and it is very disappointing to continually encounter a "prove you are worthy to do this" attitude. Yes, we are trying to make money for our shareholders, but that effort is what starts the whole wealth creation and distribution process. A spirit of co-operation to get the best result for all is needed. This is not a question of legislation but of implementation. There are many situations that are not black and white, and subjective decisions are required. Too often we were forced to take the most complicated, time-consuming, and expensive route for no reasons that were explained to us. We are not trying to take shortcuts. We are not asking for special favours. We simply want a realistic, supportive, and common-sense application of the regulations.

Here are a few examples to give you a flavour of what we experienced. Our property boundaries all follow lot, concession, and township lines, and we have no neighbours. We were ordered to re-survey all of these government-established boundaries in order to get a mining permit. Our project qualifies for a class B level review in Ontario. We were told to do a much more extensive and expensive class C review for no reasons that were explained to us. Urban encroachment on wetlands is an important issue in developed areas, but it's not applicable in the Canadian Shield where we are. We were ordered to do a wetlands management plan even though there is no requirement for one, and all related issues are dealt with through other legislation.

Of all the numerous pronouncements about one window, one lead agency, and defined timelines, none of that happened.

We are continually asked to consult with first nations on routine issues. I am fully supportive of the requirement for consultation, but boundaries and limits are required. Jobs, business opportunities, and effects on traditional lands all require consultation, but the colour of the office door does not. We don't need to create a first nations shadow bureaucracy that vets and approves everything the regular one does. It places a huge burden on first nation organizations who, in many cases, do not have the expertise or the resources to respond, and it creates a very slow, expensive, and inefficient process.

● (1005)

The same problem crops up with environmental legislation. I don't want to spend a lot of time talking about species at risk legislation in Ontario, but will simply say it is a good example of how not to go about this process. There was no industry consultation, no first nations consultation. It is based on weak and incomplete science and is costing governments and industries billions of dollars and countless jobs.

You might be interested in reading "Improving the Endangered Species Act—Impacts on Renfrew County", a copy of which I have provided to the clerk.

The Chair: Mr. Bowes, I'm going to ask you to wrap up very quickly.

Mr. Gregory Bowes: Okay.

The simple take-away from that is that what you say at the top has to be delivered in the field.

The second issue I want to briefly mention is that we have a very good network of investors—investment bankers, regulatory bodies, stock exchanges, etc.—that understand mining and are very supportive. At times that is not enough. We need more direct funding sources from the government for resource projects. I can say that in terms of both our project and our technology, nothing has happened. The 2016 budget proposed providing over $1 billion to support clean energy in the forestry, fisheries, mining, energy, and agriculture sectors.

At the Paris climate change conference, our Prime Minister pledged $300 million a year to clean technology and innovation. The first ministers' communique stated that the federal government is committed to advancing the electrification of transportation and doubling investments in clean energy and R and D, but there is no process in place to access these funds. There is no application form, and no one knows who signs the cheques. I realize this all takes time, but some type of fund and assistance for the resource sector, especially in this period of low commodity prices and weak markets, would be greatly appreciated.

Thank you very much.

The Chair: Thank you very much.

Mr. Serré, you're first up.

Mr. Marc Serré (Nickel Belt, Lib.): Thank you for your presentation and the work that you do in the area. I'm a member of the Mattawa-North Bay Algonquin First Nation in the area. Thank you for working with us. They do have a lot of expertise to support you. That's good.

Some of the other witnesses have indicated that it's good business working with the first nations. We've heard that the mining industry around the world is supporting human rights and increasing the level of salaries everywhere. The pricing is cyclical, and as a previous witness said, a good mining company will work with first nations and will also look at this cyclical nature.

In your presentation you seemed a bit pessimistic and negative on some of these elements. I want you to have the opportunity to elaborate a bit more on that. You also talked about permits and the provincial governments, and I'd like to get your sense on that.

Mr. Gregory Bowes: Sure.

I apologize if I came across as a bit negative, especially about the first nations, because I'm not.

As we were discussing, I grew up on Manitoulin Island, and 50% of my high school was first nations. Many of my friends and teammates were first nations. I have a lot of sympathy for the first nations community.

As I said, I'm fully supportive of the requirement to consult. We have a very good relationship with the Algonquins of Ontario. We have talked to them about business opportunities, job opportunities, all those things. An impact benefits agreement is high on our agenda.

My comments were more directed at, for lack of a better word, the bureaucracy in Ontario, and its use of the requirement to consult as an excuse for delays. There are dozens of minor technical issues that come up. We shouldn't have to consult with the first nations on every one of them. Dealing with the big picture, the economic benefits, the environmental effects, land use, all of that kind of stuff, I'm fully supportive of. My point was let's not get bogged down in the details.

The same is true for the environment. I'm not ranting against the environmental legislation. I'm ranting against the implementation of it at the grassroots level, because often it's very inconsistent with what is being said at the top.

● (1010)

Mr. Marc Serré: Thank you for that clarification.

Also, some of our previous witnesses have indicated that the government should not get too much involved. In your presentation, you're indicating some of the frustrations about funding, and so we have put aside some innovation funds. How important would that be for your industry to be able to look at accessing some of those funds?

Mr. Gregory Bowes: I didn't have time to go through all of this, but the notes are available for anybody who wants to read them at a later point. Obviously, the government shouldn't get too involved in the details, but I think in terms of high-level support, there is a lot more that the government could do. For example, one of the recommendations I made in here, which I did not have time to go over, was a national resource fund, one that would invest directly, debt and equity, in resource projects in Canada.

JOGMEC from Japan, Corus from South Korea, we all know about the Chinese investing in resources overseas. Many governments are. Why shouldn't Canada have a fund that invests in its own resources? There are Canadian companies that go to Japan to get money for Canadian projects.

I'll give you a very simple example. I think a fund like that, that was managed by private industry—and we have many qualified companies in Canada—if Northern Graphite came out with an announcement and said the Government of Canada is prepared to invest $20 million in the Bissett Creek project on the basis that the private sector puts up the other $80 million, the project would get built. It would generate $10 million a year in direct tax benefits to the government. That's not a policy decision, that's a good investment decision, and our ability to go out to the market and say that the Government of Canada is behind this project, if they put up the balance of the money, that's a very powerful message. Those mechanisms do not exist today.

Mr. Marc Serré: Can I ask then, on the innovation side, when you talk about.... It's really exciting what you're doing now with the lithium batteries and graphite, and looking at the battery itself, are you working with mining companies to look at other products, like for batteries in heavy equipment?

We've had Goldcorp here talking about an all-electric mine. They need equipment. They need heavy equipment to be battery operated, and then selling that around the world. Is it part of your plan to look at that?

Mr. Gregory Bowes: No, we don't plan on going that far upstream. The graphite mine produces a basic concentrate, and that concentrate must be upgraded through a manufacturing step in order to be used in batteries. It's not a manufacturing step, the upgrading step that we are focused on, rather than taking that material and manufacturing batteries.

As I said, the first stages of that upgrading all take place in China because of lax environmental regulations, and then the higher value-added manufacturing takes place in Japan and South Korea. None of it happens in Canada. We want to not only produce the raw material, but also do the upgrading of that raw material here in Canada, but not manufacture the whole battery system.

The Chair: Thank you, Mr. Bowes.

Mr. Schmale, I understand you're next in the batting order.

● (1015)

Mr. Jamie Schmale (Haliburton—Kawartha Lakes—Brock, CPC): Thank you very much, Mr. Chairman.

Thank you, Mr. Bowes, for your comments today. I must say, I do appreciate your honesty in your comments. I think that is something we do need to hear. As someone who comes from Ontario, I do recognize what you were saying about government regulation, sometimes over-regulation, causing business to sometimes stall or choose other options.

In talking to people in my riding, especially from Ontario, especially manufacturers, a lot of them are already as lean as they can get. A lot of them have made progress toward making their operations as environmentally sustainable as they can. What they're saying now, what I'm being told, is that any more extra regulations could put them out of business, or force them to leave the province altogether. They're already dealing with hydro that is simply a disaster in Ontario. Maybe you could comment a bit about that as well.

Mr. Gregory Bowes: I think when you look at businesses, it's very easy to assume that big businesses make a lot of money, that they can afford this and they can afford that. That is probably true at the upper levels, but again, the point I made is there are thousands and hundreds of thousands of small businessmen and businesswomen, manufacturers, farmers—you name it—and most of these businesses operate fairly close to the line, so they're not cash cows. Every added little bit of expense risks pushing them over the edge.

The species at risk legislation, for example, has devastated the forestry industry in Renfrew County. These are not big international forestry companies. These are operations that employ five to 50 people, and there are dozens of them. There are a lot fewer now, and there are a lot fewer jobs than there were a couple of years ago.

Mr. Jamie Schmale: Yes, Highlands East in my riding used to be a huge mining town. The town of Cardiff was actually a mining town, and housing and community centres were built, and the resources have been depleted and moved out. I understand what you're saying.

Also, this is just a comment of mine. I was hoping to get a chance to question Mr. Beaty on comments about imposing new taxes on Canadian operations. Meanwhile, he doesn't have an operation in Canada at all, which I thought was pretty rich. I'm sure his operations in Mexico, Peru, Bolivia, and Argentina have very stringent environmental and labour codes.

Maybe you could share about how government could help you work your operation.

Mr. Gregory Bowes: One of the things I didn't do, and deliberately, was mention the taxation issue, because I don't think that is the major barrier or the major issue. Sure, every business wants lower taxes, and maybe there are tweaks here and there, but generally, I'm fine with that. For the most part, there are no problems with the environmental legislation or first nations.

The main point I was getting across is a lot of times it's not about legislation. It's about implementation, and it's about changing attitudes, and starting at the bottom and working your way up to make sure that those people in the field are delivering something that is consistent with the message that is being delivered at the top. Again, we need just a more streamlined, common-sense, practical approach to doing things.

I'll give you an example. If a mining company or any company comes along and proposes a project, you don't start by saying that it's bad, prove that it's not. You take a very balanced approach and say that we need the best result for governments, for the environment, for the local people, and for the company and its shareholders. If there are problems, let's identify them, let's work together on how we make it work. Unfortunately, we don't see enough of that type of approach.

Mr. Jamie Schmale: I think your comments are very similar to what Mr. Austin said about how government over-regulation and bureaucracy forced a project of his, those capital dollars and those jobs that would go with the project, right out of the country. Those are very similar comments.

Mr. Gregory Bowes: Absolutely. I mean, his comment was, "We're going to hold you accountable for future regulations even though we don't even know what they are yet."

Mr. Jamie Schmale: Exactly.

Mr. Gregory Bowes: Again, in our case, it was actually somewhat worse than that. They came along and said that we had to do a class D environmental assessment, and it's a class B project. They said okay, they would let us do a class C. Well, it's a class B. They said, "Sorry, we want a class C."

● (1020)

Mr. Jamie Schmale: How does that instill confidence in the industry?

Mr. Gregory Bowes: Why do you have these rules of what's a class B, a class C, and a class D if you're going to unilaterally decide?

Mr. Jamie Schmale: That's right, and how does that instill confidence in the industry if people want to invest here, relocate here, and create those jobs and that wealth if they don't have that consistency in the government regulation and bureaucracy?

Mr. Gregory Bowes: The wetlands management thing was another example. There's no legislation that requires it, but we were told to do it.

Mr. Jamie Schmale: I'll quickly ask you about the mineral exploration tax credit, if I could. Did your company benefit from this tax credit, or do you currently? Maybe you could talk about that.

Mr. Gregory Bowes: Very little. Again, I'll go back to what I said at the start. The whole taxation system—the flow through, and the tax credit—is pretty good. I think we have a pretty good environment that way for mining in Canada. Ours is a more advanced stage project, so most of the work we did was engineering feasibility and less on the exploration front. That was less important to us.

Mr. Jamie Schmale: I appreciate your comments. I agree with a lot of what you said. I'm seeing it in my riding. It takes 10 years just to build a Walmart because of government bureaucracy, so I'm seeing it there.

We want to grow the private sector, and that's the best way to create wealth and jobs and growth, and sometimes government can be an impediment to that, so I do appreciate your comments.

The Chair: Thank you.

Mr. Cannings.

Mr. Richard Cannings: Mr. Bowes, I want to pick up on something that Mr. Serré said, to clarify it in my own mind. What is your experience with the provincial environmental assessment regulatory system and the federal one? You talked a lot about environmental assessment and the difficulties there. How have you interacted with both of those?

Mr. Gregory Bowes: Well, the last project I was involved in was in Burkina Faso, West Africa, and this one is a provincial project in Ontario, so I really don't feel qualified to compare the provincial and the federal side of things.

A lot of the steps that the federal government has taken to streamline the process are obviously very helpful. There are some federal ministries that we do interact with, and the one place the federal rules did affect us, and it was a positive change, was that previously graphite mines, which is an industrial mineral, would have come under federal jurisdiction, but the rules were changed and they are no longer required to go through the federal approval process.

Mr. Richard Cannings: I'll pick up on something you said about the frustration you're having with accessing funds around incentivizing green energy projects, the battery, upgrading your product. Could you expand on that and suggest ways that you would like to see the government do that, so we can move in that direction in Canada?

Mr. Gregory Bowes: Yes. For most of this year I've been visiting with various ministries, various departments, and various agencies, both at the provincial and the federal levels, to determine what kind of support there is for a project such as this. As I said, I kind of thought we would be in the sweet spot, if you will, with a project that's producing a mineral that's critical to the green-tech industries and the value-added technologies, and I really have gotten nowhere.

Most departments and agencies that we've talked to tend to have a fairly narrow mandate and basically say, “It sounds very interesting, but we don't have any programs to help you. Try such-and-such a department.” You go around and end up back where you started, and nothing happens.

In our case, we made one application for a grant—that was all we found—and that application was declined, the main reason being that there was no environmental benefit to Canada, which is true, because all of the manufacturing of battery anode material takes place in China. There's a large net benefit to the world by using our technology, but no net benefit to Canada because we don't manufacture the stuff now. In our particular case, we were not able to identify any potential sources of financial assistance.

In terms of what we could do, I think the province of Quebec has an extremely good model. There are many organizations in Quebec, from the Caisse de dépôt down. Part of their mandate is to invest in Quebec, job creation in Quebec, and venture capital in Quebec. The Caisse de dépôt, Ressources Québec, FTQ, and Sodémex are some of the many organizations that invest directly in resource and technology companies, and they often show up investing in junior companies like Northern Graphite.

The Caisse de dépôt is not gambling pensioners' money on junior resource stocks. It is making what it thinks is a good investment, along with private industry, and it's creating jobs and economic development in the province of Quebec. I can compare Quebec and Ontario, because many of our shareholders have remarked that the biggest problem with the Bissett Creek project is that it's 20 kilometres too far to the west. It's on the wrong side of the river.

I think those types of programs, professionally managed funds.... We don't need to build a big infrastructure within government to do it, but a professionally managed resource fund that invested directly in Canadian projects, partly to earn a financial return but also to create jobs and increase their competitiveness worldwide, I think would be a fabulous idea. Other countries have it and, in fact, they're investing in Canada, so we should have one of our own.

● (1025)

Mr. Richard Cannings: To follow up on that, how big a fund do you think would be necessary in Canada to help projects across the country, and would that money come from the federal government?

Mr. Gregory Bowes: Yes, it would come from the federal government. I haven't done the math, but if you add up the green-tech announcements that I read off at the end there, that's got to be $1 billion-plus just for green tech. Put that in a fund and have a professional money manager who is experienced with venture capital, vetting investments, and negotiating investments. That's a far more efficient and quick solution than creating a government department to do it. Ultimately, it would be a couple of billion dollars.

Mr. Richard Cannings: Again, just to clarify, what you want to do in Canada is upgrade your product, and then it would incorporated, and the real batteries and all that would be done elsewhere.

Mr. Gregory Bowes: We can just sell it as a commodity and be a raw material producer and ship it to China and Japan, but obviously, we want to do the value-added manufacturing here.

The Chair: Thank you.

Mr. Harvey, over to you.

Mr. T.J. Harvey (Tobique—Mactaquac, Lib.): Good morning, Mr. Bowes. It's great to have you with us here today.

I'm going to follow on the line of questioning of my honourable colleague, Mr. Schmale, which I think is going down a road that we don't explore enough. I do a lot of stakeholder engagement in my riding. I'm a small-business owner myself, and traditionally have been entrepreneurial. I come from a family of small-business owners. What I hear from business owners a lot in my riding is if we want them to be successful, if we want them to grow robust businesses and contribute to the Canadian economy, government should just do less. That's what I hear constantly from business.

I often question them on that and ask what they mean. What they mean is they totally agree that we need to get the balance right between environment and financial certainty. At the same time, though, there should be a robust process allowing businesses to be accountable for their decisions, but ultimately to make those decisions. We, as government, have a role to play in guaranteeing that the process is open, transparent, and ultimately accountable, but at the same time we allow those businesses the latitude to make decisions that are going to impact their bottom line and allow us to grow a world economy.

I want to get a bit of a sense from you how government can best assist small business in heading in that direction, in providing a framework, but ultimately allowing businesses to make those decisions on their own, and how you think that process could look.

● (1030)

Mr. Gregory Bowes: *The Economist* magazine published an article a little while ago, and it was basically talking about the barriers to job creation and economic development. The number one barrier was not taxation, and it was not regulation. It was bureaucracy and red tape. I think most business owners would agree with that. It's an issue of spending way too much time dealing with issues the government believes are important, but doesn't make your business any better in terms of reducing your costs or increasing your revenues. It's distracting you, and it's taking you away from that.

The simple message would be that the process needs to be simplified, and the process needs to be streamlined. I think the departments need to understand that every time they ask for something, they are creating a burden, which again takes away from running the business and doing what's necessary to make it successful. Yes, we have to do some of that, but there needs to be a balance. I think most business owners would say it's too far over toward one side of the spectrum.

If you're a big company and you have lots of money and you have a whole department to do whatever paperwork is required, that's fine, but if you're a plumber with four employees, or a carpenter, or a small manufacturer, it's a big burden.

Mr. T.J. Harvey: In my riding there's a large proposed tungsten molybdenum project called the Sisson project. I've been meeting with them for several years now, and we've been working through the same environmental process that you have been working through. The current process is cumbersome. It really does put the burden of proof on the proponent to outline every extenuating circumstance that could come along, and I know they found it very frustrating. I know they are coming to the end of their EIA process, and I'm assuming you're in a similar position.

What are some things you think could be done to streamline the process in terms of environmental regulation, to make it so the process is as robust as possible but allowing at the same time to fulfill the process but for it to be more fluid in nature?

Mr. Gregory Bowes: Again I would say that, in terms of the actual regulations themselves, other than the species at risk one, I'm generally fine with them. It's the way they are implemented and the way that decisions are made that are problematic. Again, this is a provincial issue, but we dealt extensively with Natural Resources getting our mine closure plan approved, which is the major document. All the other ministries provide input into that document, and then you turn around and you have to do an environmental assessment with the Ministry of Natural Resources and Forestry, which is essentially the same process, and then there are more community consultations and more first nations consultations to do the same thing.

Streamlining the process, simplifying the process, taking a more balanced approach to it, and sticking to the rules and the timelines are important. As I discussed, there were a lot of decisions made that had nothing to do with the regulations, and none of the timelines were achieved. In my case, it's not that I don't like the rules, it's that I don't like the way the rules are followed and implemented.

● (1035)

Mr. T.J. Harvey: We haven't talked a lot about taxation, but there's been a lot of talk about a price on carbon pollution. There are two sides to that argument. I come from a farming background. In agriculture it's always believed that hardship fuels innovation. I don't think it's government's responsibility to put businesses in a position where they have to experience hardship in order to innovate, but I do believe that a price on carbon pollution, regardless of whether it's agriculture or mining development or oil and gas, is a distinct opportunity for that industry to innovate and grow to meet the demands of the future.

The way the federal initiative would work is, basically, if we were to impose a price on carbon pollution on the province, that money would actually stay within the province. The money wouldn't come back to the federal government. The money would stay within the province. It's the province's discretion as to how they want to allocate that fund, but it could be used to fuel innovation or it could be used to guarantee market certainty. I just want to get your thoughts on that.

The Chair: It's going to have to be very brief, too.

Mr. Gregory Bowes: I'm not a big expert in that field. I support the concept because even though Canada is a very small global contributor in terms of percentages to the problem, we all have to do something, and we all have to contribute to a solution. Again, it comes back to what I was saying earlier. We already have some provinces proceeding on their own. We have the federal government planning on doing something. Make it as simple and as painless as possible for a businessman. It's kind of already going in a different direction.

The other thing I would say is that, for commodity businesses, we are extremely cyclical. If you were, for example, to impose a flat 1% tax, there would be many years when that would not be a problem, and there would be many years when that might be a very big problem. If they could find some mechanism for commodity industries to build up credits in good years that could be used in bad years, that kind of idea, it would be very helpful to help to smooth out those cycles. Keep it simple would be my message.

Mr. T.J. Harvey: Absolutely.

I want to thank you for your comments. That was really great. I appreciate your time.

The Chair: Mr. Bowes, thank you very much.

Unfortunately, we're out of time. We are always limited in the amount of time we can spend with each witness, which is sometimes unfortunate. We appreciate your taking the time to come here and we very much value your input.

Thank you again.

Mr. Gregory Bowes: Thank you for the opportunity.

The Chair: We are going to suspend the meeting for about 30 seconds, and then we're going to go in camera for five minutes, which means I'm going to have to ask everybody else in the room to leave, please.

[*Proceedings continue in camera*]