



B.C. Mines Reclamation Security Policy — Overview

April 2022

The goal of the B.C. government's [new policy](#) is to provide assurances that taxpayers will not be required to pay for mine site reclamation and environmental clean-up if companies default on their obligations to do the work. How is the government approaching this?

- New mines will be required to post a reclamation security, via financial instruments, 100% equal to the projected disturbance and environmental liabilities created in the first five years of the mine's life.
- Mines with less than five years of mineral reserves remaining will be required to post a security equal to 100% of the reclamation liability estimate.

- After the first five years of mine life, mines with more than 10 years of economically viable proven reserves will be able to secure up to 25% of liability against proven reserve value (via the 'exploration incentive'), and will be required to post the remaining 75% via financial instruments.
- After the first five years of mine life, mines with between five and 10 years of economically proven reserves can secure up to 15% of the reclamation liability against proven reserve value (via the 'exploration incentive').

Note: The amount of the exploration incentive security is limited to 10% of the value of the proven mineral reserves.

What liabilities are actually covered?

The reclamation security is calculated over a 100-year period based on the *projected disturbance and liabilities created in the next five years of the mine life*. This means the security mines will post is not based on anticipated disturbance over the entire mine life. However, it does include the next 100 years' worth of activities required to reclaim the disturbance created in that five year period (such as long-term water treatment). The promise of the policy is that the reclamation security will increase incrementally with the level of disturbance. Reclamation plans, and associated reclamation liability estimates and security requirements, are updated at five-year intervals, whenever permits are amended, and within 12 months prior to a mine closure. In addition, mines are required to provide annual reclamation reports which may, in some cases, result in adjustments to the mine's reclamation security requirements.

To what extent does this policy represent an improvement over the current policy?

If this policy is fully implemented and applied to all mine operations - new and existing - the differential between the mine sector's reclamation liability and the reclamation security held by the B.C. government will be reduced. In other words, the liability and risks to British Columbians to have to pay for clean-up will be reduced given that reclamation costs, in most cases, will have been more fully secured by the province from the mining companies.

The policy also incentivizes progressive reclamation for companies to pursue clean-up work as mining operations are on-going.

As the policy itself states: "Long-term water treatment is one of the highest cost items faced by mines, and one of the largest contributors to a mining company's environmental liability. Prioritizing up-front planning and source control during the early stages of mine design can significantly reduce a mining company's environmental liability and the amount of the required reclamation security." If fully implemented, this policy should incentivize mines to address water quality issues

early, and reduce the need for long-term water treatment. We also hope that costing for 100 years of water treatment will reduce the likelihood of mines knowingly requiring perpetual water treatment being approved.

Will this policy reduce the amount of unbonded reclamation liability?

The policy states that it is seeking to reduce the public liability that was last reported at \$1.1 billion. We expect that if the policy is fully implemented, the current unbonded liability would be substantially reduced for existing mines, and nearly eliminated for any new mines (except for those receiving the exploration incentive).

What is the exploration incentive?

Certain companies that have five or more years of economically viable proven reserves will be able to apply up to 25% of their security to the value of the mine's reserves. Details on how this incentive value is arrived at is laid out in the policy. While it is meant as an incentive to further the life of existing mines, it operates as a potential subsidy to new mines. Essentially these exploration incentives for new mines reduce the deterrence for environmental harms and risks to British Columbians by weakening financial assurance requirements when not necessary.

Do we know that all mine operators will be absolutely required to follow this policy?

The Ministry of Energy, Mines and Low Carbon Innovation released a policy, not a regulation. Section 10 of the *Mines Act* currently gives the Chief Permitting Officer legal authority to determine the amount and form of financial security for reclamation. The policy outlines a strong intent, but the legal authority to require financial security is outlined in the *Mines Act* and still provides considerable discretion to the Chief Permitting Officer. For example, Section 10(7) of the *Mines Act* provides the Chief Permitting Officer with the ability to change the reclamation security requirements for a mine at any time if it is deemed necessary.

Does this policy enhance B.C.'s strong practices and reputation with respect to ESG factors?

It moves the needle forward in terms of B.C.'s approach compared with other jurisdictions, particularly Quebec and Alaska. Given the concerns of downstream neighbours about polluting and potentially contaminating mines with large financial liability gaps, this is an important policy to help improve B.C.'s reputation. The 100-year bonding time frame also puts B.C. in a stronger position than many jurisdictions. However, there are still unaddressed gaps in B.C.'s mining oversight, such as how the financial impacts of mining accidents and disasters will be resolved.

Given this is an 'interim' policy, what needs to happen to strengthen it?

A policy lacks legal teeth and should be more formalized into regulation. There also remains a high degree of discretionary power held by the Chief Permitting Officer on

the amount, form, schedule, and conditions of the reclamation security costs; this should be made more accountable by ensuring transparency and public reporting of any decision that increases the potential environmental liabilities to taxpayers. We also hope that the final policy addresses any gaps identified by Indigenous authorities who have long advocated for mines to be held responsible for the messes they create.

Despite the new policy, risks remain of underestimated reclamation costs, unexpected catastrophic events, or bankruptcy (in cases where full security has not been required) causing liability to fall on taxpayers. Climate impacts like extreme floods, droughts, and heat domes may mean the risk of another Mount Polley-like disaster is growing. A public fund, secured through a small levy on production or existing royalty mechanisms, would provide additional security to cover reclamation and catastrophic event costs.

The full policy is available at: https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/mineral-exploration-mining/documents/reclamation-and-closure/major_mines_reclamation_security_policy_interim_v1_05apr2022.pdf

How does this relate to the government's Public Interest Bonding Strategy?

Minister George Heyman has a mandate to "take steps to ensure owners of large industrial projects are bonded moving forward so that they – not B.C. taxpayers – pay the full costs of environmental cleanup if their projects are abandoned." The Major Mines Reclamation Policy was already underway, having been committed to after the Auditor General Report in 2016 that highlighted major gaps in liabilities that needed to be addressed. The Ministry of Environment and Climate Change Strategy is leading a two-phase process on this broader strategy: the first to review the legal frameworks, statutory liability tools, and financial assurance mechanisms for known environmental harms; and the second to review unforeseen clean-up costs of large industrial projects. This latter phase is where a disaster fund could be addressed for mining. We expect the Mines Reclamation Security Policy to be finalized through this broader strategy and potentially put into regulation.

The strategy is available at:

<https://engage.gov.bc.ca/govtogetherbc/consultation/public-interest-bonding/>