

#13



Tabling of Documents

Simeon Mikkungwak, MLA

Baker Lake

February 21, 2017

*Correspondence from Agnico-Eagle Mines
Concerning Carbon Pricing Mechanisms*

Thank you, Mr. Speaker. I wish to table today a copy of correspondence that I recently received from Agnico Eagle Mines, which owns and operates the Meadowbank Mine in my constituency, concerning the issue of carbon pricing.

Mr. Speaker, this correspondence, which was copied to all Kivalliq MLAs, was sent to the Premier last month. I will have questions on this issue during our current winter sitting. Thank you, Mr. Speaker.



AGNICO EAGLE

January 26, 2017

The Honourable Peter Taptuna, MLA
Premier of Nunavut
P.O. Box 1000, Station 200
Iqaluit, Nunavut X0A 0H0

Email: premier.taptuna@gov.nu.ca

Tabled Document 240-4(3)

Feb 21/17

Dear Premier Taptuna:

The purpose of this letter is to share with you Agnico Eagle Mines Limited ("**Agnico Eagle**" or "**the Company**")'s response to the Federal Government's proposed Carbon Tax and the potential economic impact to the Company's Nunavut growth strategy.

As you know, **Agnico Eagle** is a senior Canadian gold mining company with eight mines located in Canada (Nunavut & Quebec), Finland and Mexico and employing more than 7,500 people worldwide. The Company is listed on the Toronto and New York Stock Exchanges (AEM) and has been producing precious metals since 1957.

The Company has identified Nunavut as a strategic platform with considerable long-term investment potential with one operating mine (Meadowbank), one advanced gold development project (Meliadine) and one new gold discovery (Amaruq) – all located in the Kivalliq region. We currently employ 1,200 people (direct and indirect) at our Meadowbank and Meliadine properties – including 400 Inuit Beneficiaries).

BACKGROUND

Agnico Eagle has been active in Nunavut since 2007 when it acquired the Meadowbank project, located 110 km northwest of Baker Lake. Significant infrastructure investment was required by Agnico Eagle in order to develop its Meadowbank mine prior to operations beginning in 2010. This included the construction of a 110 km, \$62 million (US\$) all-weather access road, a 40 MW diesel electricity generating facility, an airstrip and a barge docking station.

Current operations from the Meadowbank gold deposits are expected to be completed in 2018. However, the newly discovered Amaruq satellite deposit, located 55 km north of the Meadowbank mine will provide a new source of ore to be processed at the Meadowbank mine and is currently undergoing environmental assessment. Agnico Eagle is currently constructing a 60km all-weather access road to the Amaruq deposit at a cost of approximately \$100 million. Production is expected to begin in late 2019.



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Agnico Eagle also owns the Meliadine gold project which is an advanced development project located 25 km west of Rankin Inlet. The project is fully permitted and is in the last phase of feasibility and planning. A decision to proceed is pending approval from the Company's Board of Directors in 2017 and production could begin as early as 2020.

Agnico Eagle understood early on that the Northern region of Canada, Nunavut in particular, contains abundant natural resources. We considered at the time that Agnico Eagle's Canadian growth opportunities lied increasingly north of the 60th parallel. However, Nunavut lacked critical infrastructure—roads, electricity, ports, railways—to service mines and get products to market. This acute infrastructure deficit also made it significantly more expensive to explore, build and operate mineral projects.

ISSUE

In 2015, the Mining Association of Canada published a study, *Levelling the Playing Field*, which compared the costs associated with developing northern mining projects versus centrally-located projects of comparable size. Results indicate that the cost of developing gold and base metal mines in northern regions is 2 to 2.5 times higher than in the South.

This is why we received the announcement of the new Carbon Tax being applied across Canada, including the North, as another blow to our efforts to create and sustain a mining platform in Nunavut. We understand that this coercive approach may be warranted in Southern Canada where alternatives to diesel exist. However, the North has a critical infrastructure deficit, including energy infrastructure, and no mining project alone can develop this infrastructure.

We think that to move the North away from fossil fuel, an incentive approach should be used rather than a coercive approach. We have worked on improving our energy management and we are continuing to do so. We also have ideas that if supported by government would help not only Agnico Eagle but the communities around our sites move away from diesel. Applying a carbon tax to the North would not be coherent with the government's objective to develop the North so that its citizens have the same hopes for the future as the average Canadian.

- We are currently the only large scale industry in the Kivalliq region of Nunavut. We have developed our projects despite the lack of infrastructure and by investing time and effort in training programs for the local population so they are able to participate fully in this new mining platform. The wall-to-wall application of the carbon tax to Nunavut would reduce even further the attractiveness of Nunavut for mining investors. Based on the proposed carbon-tax pricing scheme of \$10 per tonne in 2019 to \$50 per tonne by 2023, the impact to Agnico Eagle will be approximately \$20 million per annum in 2023 for its carbon emissions in Nunavut;



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- For Meliadine, 80 % of the CO₂ produced will come from the power generation.
- For Meadowbank-Amaruq, around 50% of the CO₂ produced will come from the power generation.

Year	Estimated Impact from Federal Carbon Tax to Agnico Eagle's Nunavut Operations	
	Meliadine*	Meadowbank- Amaruq**
2019	617,104.00 \$	1,671,660.00 \$
2020	2,012,938.00 \$	4,021,460.00 \$
2021	3,491,519.00 \$	6,107,040.00 \$
2022	5,109,768.00 \$	8,142,720.00 \$
2023	8,244,967.00 \$	10,178,400.00 \$

*Project has yet to be approved by Agnico Eagle's Board of Directors

**Project is currently in the NIRB permit review stage and has not been approved for development by Agnico Eagle's Board of Directors

Opening up the North to responsible mining development, in partnership with communities, will enable northerners to increasingly access the socio-economic benefits that mining can bring to the regions. Instead of adding an additional tax burden to companies like Agnico Eagle, the Federal government should facilitate northern development by supporting alternative power generation which would have long-lasting community benefits.

We believe that mining is part of the future of Nunavut, however, we are concerned that a carbon tax might affect the very economic viability of our mines/projects. We are sympathetic to global concerns about CO₂ levels but burdening the sole emitter in the Kivalliq region of Nunavut, who happens to be the largest and only large scale industrial employer in the region, may do more harm than good to the future economic viability of the region's communities.

We are willing to participate in discussions on the development of a longer term plan for CO₂ reduction in the North, that includes a commitment from government to participate in the search and implementation of alternative energy solutions. Without such a plan, the carbon tax is simply an additional tax without foreseeable environmental gain.

Northerners should have the same right to a prosperous economic future as the rest of Canada. If the lack of alternative energy options is preventing this, the government should take it upon themselves to partner with communities and industry to find a solution. The focus needs to be on the development of energy options for the North. The burden for addressing climate change should be borne equally amongst all Canadians.



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Thank you for your attention to this matter. We kindly request a meeting to discuss this topic at your convenience.

Sincerely,

Regards;

Louise Grondin
Senior Vice-President, Environment, Sustainable Development and People
Agnico Eagle Mines Limited

Dominique Girard
Vice-President, Nunavut Operations
Agnico Eagle Mines Limited

cc:

The Honourable Monica El-Kanayuk, Minister of Economic Development and Transportation and Mines
The Honourable Joe Savikataaq, Minister of the Environment and Energy
Simeon Mikkungwak, MLA Baker Lake
Tom Sammurtok, MLA Rankin Inlet North
Alex Sammurtok, Rankin Inlet South MLA