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EABAMETOONG FIRST NATION

Communities like the Eabametoong First Nation would benefit enormously from infrastructure that would also help mining.

A ‘Marshall Plan’ for Ontario’s Ring of Fire

MINERS, FIRST NATIONS NEED WATER, ROADS AND GRID POWER. THE TIMING IS RIGHT.

STAN SUDOL
Comment

Ontario’s “Ring of Fire” mineral belt, located in the province’s remote James Bay Lowlands, is thought to hold more than $60 billion of geological riches. When the belt was discovered in 2007, it was supposed to usher in a new era of prosperity for Northern Ontario, especially for the impoverished First Nations communities in the region.

Almost a decade later, the ore remains in the ground and doesn’t appear to be coming out anytime soon. Thanks to the Ontario government’s ineptitude, dysfunctional mining policy, lack of promised infrastructure spending and (to a much lesser extent) a broader commodity slump, American miner Cliffs Natural Resources Inc. left the province in frustration in 2013, permanently halting its proposed US$3.3-billion chromite project.

The ultimate indignity for Ontario came last year, when Cliffs sold its US$550-million investment in the Ring of Fire to junior miner Noront Resources Ltd. — the only significant player left in the area — for a bargain-basement price of US$27.5 million.

Many analysts say that Ontario missed an extraordinary opportunity to establish a chromite industry during the commodity boom, and that it will be at least five or more years before any possible development occurs.

While the provincial Liberals shoulder most of the blame for delaying Ontario’s best mineral discovery in over a century, they did have a legitimate complaint: the previous federal government under Stephen Harper was not at the economic table in a meaningful way.

With the election of the Trudeau Liberals, who have a strong mandate to alleviate living standards of Canada’s First Nations communities, hopes for the development of the Ring of Fire and the enormous mineral potential of the entire northwestern region of Ontario have been renewed.

The mining companies in the Ring of Fire need infrastructure, and so do the isolated aboriginal communities. If the Trudeau government worked in conjunction with Ontario and adopted something akin to a “Marshall Plan” — the name of the American initiative to rebuild war-torn Europe after the Second World War — to develop and modernize infrastructure in the isolated northwest, it would kill two birds with one stone.

The standard of living for First Nations communities would dramatically improve, and a new round of mineral exploration and development would take place that would generate billions of dollars in tax revenue to pay back the government’s investment. And then some.

Let’s start with the potable water crisis in Northwest Ontario. Within its first 100 days in office, the Trudeau government hit a home run by announcing it would fix the water problems at Neskantaga First Nation, a community near the Ring of Fire that has been on a boil water alert for an astonishing 20 years.

However, three of the other four isolated communities in the region are also on a boil water alert. In fact, 35 of the 49 aboriginal communities in Northern Ontario had drinking water advisories in effect as of May 2015.

A 2011 report found that it would cost about $1 billion to upgrade or replace the water and wastewater needs of all these communities. As Trudeau himself would say, “It’s 2016.” It is high time we gave these communities the potable water that most Canadians take for granted.

Another need is roads. Ontario Regional Chief Isadore Day has called for the construction of permanent roads to the many isolated First Nations communities in Northern Ontario, which would replace winter roads that are being affected by global warming. There is an old saying in the mining business that the best way to find new mineral deposits is by building roads.

The first road that should be built is an east-west corridor between the Ring of Fire and Pickle Lake, which would link up with four isolated First Nations communities. This would not only provide a cheaper way of bringing food, building supplies and diesel fuel to the communities, but would also allow Noront to proceed with development of its Eagle’s Nest nickel-copper project in the Ring of Fire.

Developing this road shouldn’t be difficult. In the early 1880s, it took Canada less than five years to build the Canadian Pacific Railway from Ontario to Vancouver — a distance of roughly 4,200 kilometres. The distance between the Ring of Fire and the provincial highway system is about 280 kilometres.

However, connecting the many other First Nations communities throughout the northwest could also be done economically through the construction of forestry roads. Hartley Multamaki, vice-president of Green Forest Management, said a rough estimate for primary forestry road construction, which is solid enough for huge trucks, would be around $250,000 per kilometre. The ultimate cost could be higher because of obstacles like river crossings, swamps and access to aggregates.

So taking that estimate, the cost of building 1,100 kilometres of forestry road through standard Canadian Shield geography in Northwestern Ontario would be about $275 million. Add in an additional $60 million for the previously mentioned obstacles. So for $335 million, you could connect a large number of isolated communities, especially in the geologically rich greenstone belts to the west of the Ring of Fire. Not an earth-shattering sum!

“FINAL INFRASTRUCTURE NEED THAT SHOULD BE ADDRESSED IS ACCESS TO GRID POWER.

The final hard infrastructure need that should be addressed is access to grid power. The vast majority of Northwestern Ontario’s isolated First Nations rely on costly diesel-generated power, which is heavily subsidized by governments. Electricity costs can run three to 10 times higher than grid power. It is also environmentally risky and limits expansion and business opportunities in these communities.

The Ontario Power Authority estimates that grid connection would save roughly $1 billion over the next 30 years compared to diesel generation. The capital cost for a current aboriginal-led project proposal is estimated at $1 billion. It basically pays for itself. The four communities closest to the Ring of Fire — Webequie, Nibinamik, Neskantaga and Eabametoong — could be easily connected to this initiative with an acceptable increase in cost.

The aboriginal communities in Northwestern Ontario are among the most impoverished in the country, and yet their territories contain billions and billions of dollars of untapped mineral wealth. Jim Franklin, the former chief geoscientist at the Geological Survey of Canada, predicted at least $140 billion worth of chromite and base metals will be discovered in the Ring of Fire, and an additional $140 to $190 billion of gold are lying in the many greenstone belts to the west of the camp.

By providing potable water, road access and grid power to these communities, the Trudeau government will also be benefiting the mining industry, which will discover, explore and build the next generation of mines, providing the jobs and tax revenue to pay back these strategic infrastructure investments in record time.

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Stan Sudol is a Toronto-based communications consultant, mining policy analyst and publisher/editor of www.republicofmining.com.

MINING

BHP scales back on Canadian potash

JEN SKERRITT

WINNIPEG • **BHP Billiton Ltd.**, the world’s biggest mining company, is reducing spending on a potash mine in the Canadian prairies by about one-third amid the decline in global commodity prices.

The Australian company is allocating less than US$200 million in capital expenditure in the current financial year to develop and study the feasibility of the Jansen project, down from US$330 million in the previous 12 months, said Giles Hellyer, president of BHP’s Canadian unit.

“We’re doing more with less,” Hellyer said from Saskatoon. “The intent is to be a lot more effective and efficient in what we’re doing and complete the work over a slightly longer time horizon.”

BHP has so far approved US$3.75 billion to a feasibility study and initial construction work on the project, which has yet to get a final go-ahead from the company. Construction crews at the site are excavating and lining two mine shafts, which may be complete in the next two to three years. Commercial production won’t start before 2020.

Potash prices have tumbled due to increased production. Farmers are spending less on fertilizer amid bumper crops and lower agricultural commodity prices. Rival producer Potash Corp. of Saskatchewan Inc. idled one of its mines in January in response to the oversupply.

The situation at Jansen is far from unique. The world’s biggest mining companies are reining in spending as a rout in commodity prices squeezes profits and forces the closing of older and higher-cost operations. BHP faces the additional challenge of a potential multi-billion-dollar liability arising from the Samarco dam disaster in Brazil, which killed at least 17 people.

The company has narrowed its focus under chief executive Andrew Mackenzie to four so-called pillars, or key commodities — iron ore, oil and gas, coal and copper — with potash seen as a future fifth pillar. Melbourne-based BHP said last month that Jansen is 54-per cent complete and management has highlighted the project as a key contributor by the middle of next decade.

BHP remains confident about the long-term demand outlook for potash, seeing growth of about three per cent a year, Hellyer said. And while BHP reduced the number of workers at Jansen in 2015, it will probably add employees in the next 12 to 18 months, he said.

Jansen’s development requires a long-term potash price of more than US$400 a tonne to achieve an acceptable rate of return and probably more than US$500 a tonne to compete for capital against BHP’s other growth options, Macquarie Group wrote in a Feb. 17 note to clients. BHP declined to comment on commodity prices.

Potash prices in the Gulf of Mexico have fallen 44 per cent over the past year to US$200 a tonne, according to data from Green Markets.

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