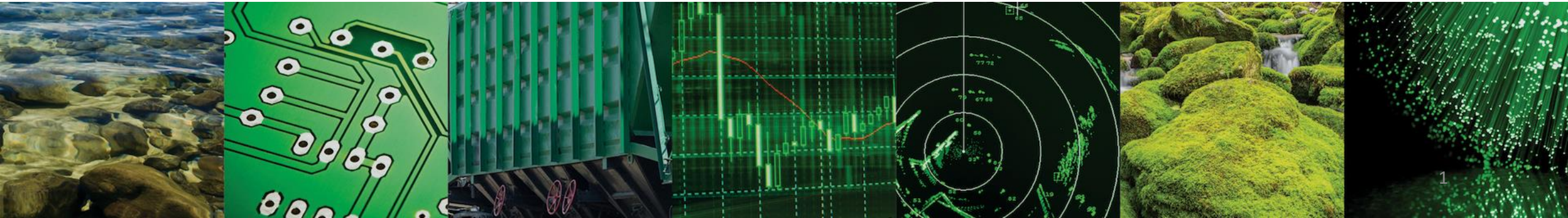


Financial assurance for mining in British Columbia

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Outline

- Background
- Scope – two types of risk
- Financial assurance instruments
- BC's current approach
- Recommendations



Background

Canada's Ecofiscal Commission:

- Experienced, policy-minded economists from across Canada
- Advises policy-makers across the political spectrum, at all levels of government
- Fully independent

The screenshot shows the homepage of the Canada's Ecofiscal Commission website. The URL is https://ecofiscal.ca. The header includes the logo and tagline "CANADA'S ECOFISCAL COMMISSION Practical solutions for growing prosperity", along with links for "Join our mailing list", "Contact Us", and "Français". A search icon is also present. The main navigation menu includes "What is Ecofiscal?", "The Commission", "Research & Reports", "Blog & Opinion", "Courses & Events", and "Media & News". Below the navigation is a banner image with a green background containing the text: "ec•o•fis•cal policy /ekō 'fiskəl/ adj. An ecofiscal policy corrects market price signals to encourage the economic activities we do want (job creation, investment, and innovation) while reducing those we don't want (greenhouse gas emissions and the pollution of our land, air, and water)." The main content area is divided into three columns: "NEW RESEARCH" featuring a green box titled "10 MYTHS ABOUT CARBON PRICING IN CANADA" with a brief description; "LATEST BLOG POSTS" listing three articles with their titles and dates; and "CARBON PRICING PORTAL" with three buttons: "Carbon Pricing Research", "Carbon Pricing Q&As", and "Carbon Pricing Fast Facts". Below this is a "COURSES & EVENTS" section with an "ONLINE COURSE" titled "Municipal Market-based Tools for...".



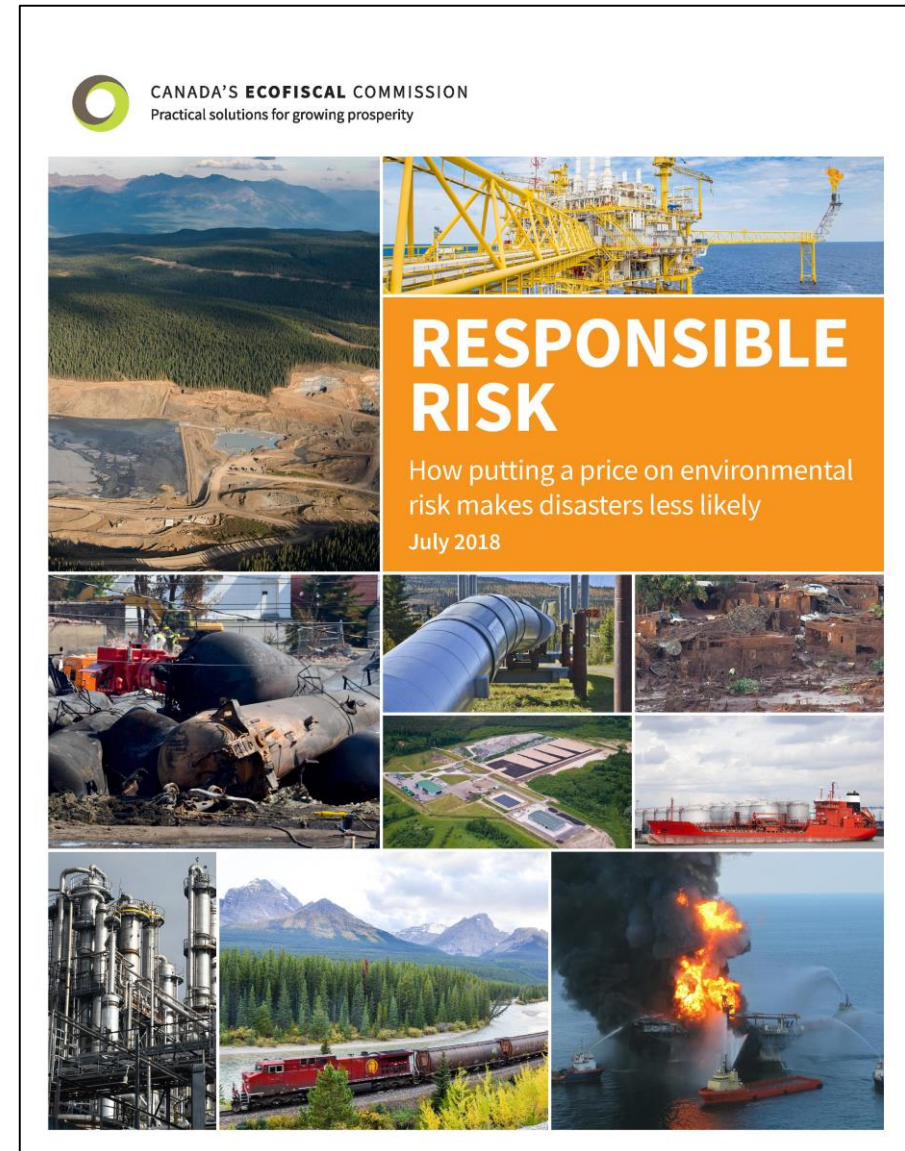
Background

Responsible Risk report:

- Risks to the environment from economic activity
- Mining as a case study
- Financial assurance as a way of *pricing* risk

New report:

- *Mining Risk and Responsibility: How Putting a Price on Risk Can Help BC Manage Disasters*



Scope – Two types of risk

Non-remediation



Acid Mine Drainage from Britannia Mine

Disasters



Tailings spill at the Mount Polley copper and gold mine



Scope – Two types of risk

Features	Remediation	Disaster
Likelihood	Expected	Probabilistic
Severity of costs	Varies	High
Financial assurance policy in BC	Covered*	Uncovered



Policy-makers goals

Three separate—and competing—goals:

- ✓ Deterrence
- ✓ Compensation
- ✓ Economic activity



Financial assurance instruments

Financial assurance requires firms to promise or commit funds against their environmental liabilities, either expected or potential

Five types:	Examples:
“Hard” firm-level assurance	Cash, bonds
“Soft” firm-level assurance	Pledges of assets, guarantees
Third party assurance	Insurance, letters of credit, surety
Sector-level assurance	Mutual insurance, industry funds
Public assurance	Public insurance, funds



Financial assurance trade-offs

Category	Effect on policy goals		
	 Reducing risk (deterrence)	 Paying for damages (compensation)	 Minimizing costs (economic activity)
Hard financial assurance from firms	Strong	Strong	Weak
Soft financial assurance from firms	Weak	Weak	Strong
Third-party assurance	Limited	Moderate	Moderate
Sector-level assurance	Limited	Moderate	Moderate
Public assurance	Limited	Moderate	Moderate



British Columbia's Current Approach

- Chief Inspector of Mines has broad authority to require financial assurance from mining firms in the province
- Province has a “polluter-pay” policy
- Mining companies required to provide financial assurance against risk of non-remediation (~~disasters~~)

- In practice, stringency of financial assurance requirements is often limited (Auditor General of British Columbia, 2016)
- Largely due to the province's practice of phasing-in financial assurance requirements over a mine's life



BC's Current Approach: Two findings

1. When it comes to mine remediation in British Columbia, there is no guarantee that the polluter will pay
2. If a Mount Polley-like disaster were to occur again in British Columbia and the responsible company was bankrupted, a large share of its costs would likely fall to the public



Recommendations



Policy options for BC - remediation

Recommendation:

Require *hard* assurance from firms both in-full and up-front

- Quebec's system following 2013 reforms
- No distinction made for financial risk
- Ranks strongly on mining economic activity indicators

...Consistent with BC's stated polluter-pay policy; clear precedent in Quebec



Policy options for BC - disasters

Recommendation:

A “tiered” scheme

- Firm-level → Third party → Sector-level → Public
- Public instrument can help cover fat-tailed, uninsurable risk
- Opportunities for wide pooling (U.S. Superfund)
- Can be built piece-by-piece

...addresses an important gap; acknowledges risks can be uncertain



Thank you!

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