



Box 1500
Yellowknife, NT X1A 2R3

Your file - Votre référence

December 14, 2010

Our file - Notre référence

Mr. Richard Edjericon
Chairperson
Mackenzie Valley Environmental Impact Review Board
5102-50th Avenue
Box 938
Yellowknife, NT X1A 2N7

Dear Mr. Edjericon:

Giant Mine Remediation Response to Developers Assessment Report Deficiency Statement

On behalf of the Government of Canada please find our response to the Mackenzie Valley Environmental Impact Review Board (Review Board) fourth deficiency statement regarding funding certainty for the Giant Mine Remediation Project.

Discussion of Funding Certainty

Section 3.2.2.5 of the Terms of Reference requires Indian and Northern Affairs Canada (INAC) to describe Project feasibility including financial feasibility, and requires that this include a discussion of funding certainty for the development and related monitoring. In section 6.13.5 of the Developers Assessment Report (DAR) identifies that the estimated cost for long term operations and maintenance is \$1.91 million per year. The proposed Project commits Canada to this in perpetuity. The only material in the DAR regarding the certainty of funding is the statement that INAC will seek Treasury Board approvals.

In order for the Review Board to assess INAC's ability to actively manage the site as proposed, the Review Board requires a meaningful in-depth discussion of the likelihood of receiving this funding over the long term, the conditions on which this depends, and relevant underlying assumptions. For example, if government funding priorities change in the future, how does that affect Project feasibility? What is INAC's confidence that it will always have secure funding for the necessary activities?

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Response

As a detailed reference to the response below, please see Table 6.13.4 of the Developer's Assessment Report (DAR) that presents a summary of estimated costs for the implementation phase of the Giant Mine Remediation Project, as well as Table 6.13.5 that presents a summary of estimated annual costs over the long-term. The remainder of the response outlines in detail the primary reasons why INAC has a high level of confidence that the Giant Mine site will remain a government priority, and that long-term funding will continue to be made available. At the same time, the nature of the Federal Government does not allow INAC to commit future governments to specific priorities or funding requirements.

Table 6.13.4 Estimate of Total Costs – Implementation Phase

Component	Direct Cost	Indirect Cost	Contingency	Subtotals
Remediation Management	\$65,657,639	\$0	\$9,848,601	\$75,505,940
Care and Maintenance	\$70,276,286	\$0	\$1,1078,040	\$71,254,326
Baker Creek	\$10,444,509	\$4,425,194	\$3,717,426	\$18,587,129
Building, Hazardous Waste and Debris Disposal	\$13,398,988	\$0	\$6,699,494	\$20,098,482
Contaminated Soils	\$9,180,135	\$3,136,990	\$3,695,137	\$16,012,262
Freeze System	\$95,084,210	\$27,536,273	\$29,281,862	\$151,902,345
Highway	\$3,278,643	\$1,427,047	\$705,854	\$5,411,544
Pits	\$1,902,590	\$924,978	\$424,136	\$3,251,704
Shafts and Adits	\$680,374	\$390,560	\$160,640	\$1,231,574
Tailings and Sludge Ponds	\$42,608,281	\$14,755,144	\$5,601,504	\$62,964,929
Sub-Surface Work	\$8,967,055	\$3,777,961	\$2,549,004	\$37,552,429
Water Management	\$27,058,511	\$4,706,893	\$5,787,025	\$37,552,429
Subtotals	\$348,536,921	\$61,081,040	\$69,548,723	\$479,166,684

Table 6.13.5 Estimated Annual Costs – Long-term Operations & Maintenance

Component	Average Annual Cost
Site management and monitoring	\$260,000
Freeze system operation & maintenance	\$360,000
Earthworks inspection & maintenance	\$90,000
Water management operation & maintenance	\$1,200,000
Total	\$1,910,000

The Giant Mine site is well known throughout Canada as one of the most contaminated sites under the responsibility of the Federal Government. There are aspects of the site that pose potentially significant risks to both human health and the environment. Given this risk profile, the mine site has remained a government priority since the late 1990s when it was abandoned to the Crown as part of the receivership proceedings of the former owner, Royal Oak Mines Inc.. Since that time, INAC, as the federal department responsible for the site on behalf of the Government of Canada, has allocated resources to effectively manage risks at the site while developing a remediation plan. Based on the significant investment to date, and the consistent priority given to the management of the risks at the Giant mine site, it is expected that this Project will remain a priority.

Under the current structure, funding for the Remediation Project of the Giant Mine site is provided by the Federal Contaminated Sites Action Plan (FCSAP). This program was announced as a 15-year program in the 2004 federal Budget. To date, Federal Government support and funding has been stable and consistent. Since the announcement in 2004, the Government of Canada has consistently expressed its commitment to the program and has spent in the order of \$95 million on the site. Even prior to the establishment of the FCSAP program, INAC spent an additional \$14 million on the care and maintenance of the Giant Mine site between 1999 and 2004. This is a strong historical track record of dependable funding and support on behalf of INAC and the Federal Government. Building upon past success, INAC will continue to use best practices and efforts to ensure that funding will be available for the life of the Project.

The funding for the remediation Project is earmarked in the government's fiscal framework until fiscal year 2019-2020. It is during this period that the bulk of expenditures for the Project will be made.

All post-2020 remediation requirements and funding will be defined and addressed prior to 2020 as part of the final phase of the existing FCSAP program. This is the current approach to securing funding for the Giant Mine site and is subject to change going forward. INAC will undertake every effort to inform the board of any significant changes to this process.

Further to the rationale provided above, the Governments of Canada and the Northwest Territories (NWT), in selecting the preferred remediation option for the site, have recognized and accepted that the Giant Mine Remediation Project includes long-term care, maintenance and monitoring. This is an essential component of the remediation approach at Giant to protect human and environmental health and safety and to ensure the integrity of Canada's investment.

The situation at the Giant Mine site into the future will be such that changing and short term priorities of a particular government should not affect the decision to continue to provide funding towards long term care, maintenance and monitoring of the Giant Mine Site. The reality is that INAC's confidence is framed within a government financial system where it is not possible to commit a future government definitively to funding a specific priority or Project decades into the future, let alone in perpetuity. Changing circumstances in a wide variety of areas could alter any number of the above described factors.

In summary, INAC maintains a very high level of confidence that the Giant Mine site will remain a priority and that long-term funding will be made available due to the fact that:

- the site has a number of potential risks to both human health and the environment;
- the historical support has been stable and consistent;
- significant investments have been made to date; and
- all stakeholders are aware of the long-term nature of the project.

Should you require any additional information or have any questions please contact Mark Palmer, Director, Giant Mine Project Office at (867) 669-2426.

Sincerely,



Trish Merrithew-Mercredi
Regional Director General
Northwest Territories Region

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Transmission Report

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Chairperson, MVEIRB

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**RE: Giant Mine Remediation Response to Developers Assessment Report
Deficiency Statement. Please see attached letter from Ms. Trish Merrithew-
Mercredi, Regional Director General, Northwest Territories Region.**

From the desk of:

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