

Financial security

Proponents pay financial security to the government to cover the cost of reclaiming an exploration or mine site if the proponent fails to do so.

We want to ensure that the amount of security held for a project is sufficient, adequately addresses risks, and reduces the likelihood that public funds will need to be used if a proponent doesn't reclaim a site.

We also want the processes to determine and review security to be clear, efficient and transparent.

We're also looking at what forms of security should be allowed, when government can access security funds, and how to strengthen enforcement tools with respect to security.

Given the differences between exploration, placer mine and quartz mines sites, the implementation of security processes and requirements should address and reflect these differences.

Interests

Purpose and parameters

The purpose of security should be clear. The amount of security held for a project needs to be suitable and sufficient and should consider contingencies to help address risks.

Requirement for security

The requirement for security should be applied consistently using a transparent and well understood framework.

Valuation of security

The processes to determine and review security should be clear, efficient and transparent.

Public reporting

Governments should be open and transparent about what security is held and owed.

Forms and seizure of security

Security should be held in a way that can be easily accessed and used, as needed.

Collection of security and failure to pay



Enforcement tools should allow government to take action in response to security underpayments.

Licence renewals, amendments and transfers

Security requirements should be met in full before a licence is renewed, amended or transferred.

Potential approaches

Purpose and parameters

We could continue to base our security amounts on the specific cost of reclaiming a site, or we could develop tools that also allow us to consider the risks and likelihood of the long term success of reclamation.

Requirements for security

We could continue with an approach where security is only required for some projects and the choice of which projects would be up to the regulator. Or we could establish criteria for which projects require security. Or we could make security a requirement for all projects.

Valuation of security

We could strengthen the existing system by creating security valuation requirements for placer mining and exploration. We could also improve transparency by publishing the reasons for a security determination.

Security reviews and amendments

We could continue to review security on a discretionary basis directed through policies. Or we could establish a mandatory periodic review of security.

Reporting

We could require proponents to provide financial records to determine what form of security may be appropriate. We could also require public reporting of security amounts held and owing, such as through an annual report tabled in the legislature.

Forms of security

We could revise the acceptable forms of security to forms that are more easily accessible when needed, such as cash or cash equivalents. Or criteria could be set in legislation that any proposed form of security would have to meet. Another option is to require a share, or portion, of security to be provided as cash or cash equivalent.



Collection of security and failure to pay

Legislation could require that security must be provided before a proponent begins an activity. We could make sure that if a proponent fails to provide security, the amount immediately becomes a debt owed to the government. Finally, we could ensure that failure to pay results in suspension or cancellation of authorized activities.

Seizure and use of security

We could establish that security can be seized from a proponent in certain circumstances, such as failure to comply with a direction, failure to carry out reclamation, ceasing production without notice, abandonment, and any act of bankruptcy.

Licence renewals, amendments and transfers

We're considering using a lack of up to date security payments to restrict licence renewals, amendments or transfers.

Questions

6.1 Do you think the approaches we're considering for security will reduce risks for taxpayers? Please explain.

6.2 Do you have any thoughts or concerns about the approaches we're considering for security, or additional things that you think we should consider?

6.3 How important are the following to you:

- requiring financial security for all or some exploration and mining projects
- re-assessing financial security every two years
- taking stronger measures if a company fails to pay the required security

Please explain.

