



Large Mine Bonding and Financial Assurance

State of Alaska Department of Natural Resources



Overall Approach & Objectives

- Ensure that the State of Alaska does not incur the cost of mine reclamation, closure and long-term management liability.
- Reviewing and approving a project's reclamation & closure plan and cost estimate through permit(s).
- Based on a reasonable and probable mine closure scenario (not worst case) based on the point of the highest liability and any long-term care and maintenance costs associated with the disturbance.
- Interagency review & approval of Reclamation & Closure Plans.
- Goal - Final bond amount to meet respective agency Financial Assurance requirements.



AS 27.19.040-Reclamation Financial Assurance

Prior to the construction & operation of a mine, an operator needs to provide a Reclamation Plan outlining activities that will be conducted to meet the State's Reclamation Standard at closure. This includes activities such as:

- Stabilizing highwalls, rock dumps and pits to allow for natural revegetation and erosion patterns
- Preventing offsite discharge of Acid Rock Drainage

Reclamation Cost Estimates (RCE)

- As a part of a Reclamation Plan, mine operators submit a detailed, line-item accounting of the costs for conducting reclamation activities.
- These RCEs form a cost basis of what it would cost the State to hire third party contractors to conduct Reclamation Activities and perform long-term monitoring of the site should the mine operator default on their obligations.
- Additionally, these serve as the basis for the Financial Assurance obligation that the Mine Operator must provide to the State prior to starting operations.



Reclamation Plans (AS 27.19 & 11 AAC 97):

- The commissioner shall establish the amount of the financial assurance to reflect the reasonable and probable costs of reclamation to the requirements of the approved reclamation plan and the standards of AS 27.19 and Chapter 11 AAC 97.
- A miner may satisfy the requirement under this section for an individual financial assurance by providing, in a form acceptable to and approved by the commissioner, any of the following:
 - ✓ Surety bond;
 - ✓ Letter of credit;
 - ✓ Certificate of deposit;
 - ✓ Corporate guarantee that meets the financial tests set in regulation by the commissioner;
 - ✓ Payments and deposits into the trust fund established in AS 37.14.800; or
 - ✓ Any other form of financial assurance that meets the financial test or other conditions set in regulation by the commissioner.

Placer Mining and Hardrock Exploration Reclamation Bond Pool

- The State of Alaska created the statewide bond pool to assist small operators that do not use chemicals for processing or have the potential to create Acid Rock Drainage, to obtain financial assurance through a shared risk bond pool (AS 27.19.040 (b) and 11 AAC 97).
- Voluntary program consists of \$150/ac/yr, \$112.50/ac/yr is refundable upon completion of reclamation. Less than 5 acres disturbance is exempt.
- There are approximately 170 operators in the bond pool and the corpus of the fund in 2023 was \$2.8 Million in the equity balance.
- It has not had to be used in the history of the fund (since 1992).

Interagency Coordination

Alaska uses a coordinated approach to permitting large mines. While agencies provide individual permits, DNR and DEC coordinate calculation and management of financial assurance. The following State authorizations require financial assurance:

- Reclamation and Closure Approval (DNR Large Mine Group)
- Certificate of Approval to Construct a Dam (DNR Dam Safety)
- Waste Management Permit (DEC Water)