

Mines Fee Regulation

Questions & Answers

1. Why is government charging fees for mining permits?

Government has used contingency funding since 2011 to significantly increase geotechnical staff and inspections and improve permit turnaround times. Funding in Budget 2015 will make these improvements permanent and create additional capacity to support the major mines permitting process.

The base budget of the Ministry of Energy and Mines (MEM) has been increased by about \$6 million, a portion of which goes toward making current contingency funding permanent. Also, new permit fees for mines in B.C. are expected to raise an additional \$3 million per year, which will go to the Ministry. The new fees will not be charged for exploration activities.

The Mineral Exploration and Mining Strategy, released in 2012, committed to explore cost recovery options in order to ensure the permitting process remains timely and efficient. The MEM has developed a cost-recovery funding model which recognizes the value of government's authorization activities to industry and the overall benefits of a well regulated mining industry to British Columbians.

2. How did government determine what to charge?

Permit fees were designed to reflect government costs of reviewing applications while also ensuring no single operator is unduly burdened by the fees. Keeping fee amounts proportional to industry costs was preferred by industry rather than basing the fee amount solely on government costs per transaction.

For placer mines, sand and gravel pits, and quarries, the permit fee is linked to production capacity. Permit fees for these operations range from \$4,000 to \$32,000 per application based on maximum annual tonnage excavated by a pit or quarry operator or tonnes of pay dirt moved by a placer miner.

Major Mine permit fees range from \$10,000 to \$125,000 based on the complexity of the application.

No fees will be charged for exploration as those activities do not generate revenue.

No fees will be charged for amendments to applications that are merely administrative or clerical in nature.

Fee schedules are listed here:

Table 1: Regional Mine Permit Fee Schedule

Column 1	Column 2	Column 3
Tonnes proposed to be extracted or moved in highest producing year		Permit fee
Regional mine proposed to operate for 5 years or less	Regional mine proposed to operate for more than 5 years	
< 60,000	< 10,000	\$0
≥ 60,000 to < 125,000	≥ 10,000 to < 60,000	\$4000
≥ 125,000 to < 250,000	≥ 60,000 to < 125,000	\$8000
≥ 250,000 to < 500,000	≥ 125,000 to < 250,000	\$16,000
≥ 500,000	≥ 250,000	\$32,000

Table 2: Major Mine Fee Schedule

Thresholds	Fee amount
Major Mine applications – Simple – Not requiring a formal review of an advisory committee	\$10,000
Major Mine applications – Complex – Requiring a Mine Review Committee	\$125,000
Major Mine applications – Reduced – Significantly less complex than usual but still requiring a Mine Review Committee (Chief Inspector’s discretion on a case by case basis considering significance of new disturbance, design changes and potential impacts)	\$60,000

3. How are the different permit fees for a Major Mine determined?

The requirement for a review of an application by either a Mine Review Committee (MRC) or Mine Development Review Committee (MDRC) determines whether the applicant pays the \$10,000 fee or a higher fee of \$60,000 or \$125,000. The decision to refer an application for committee review is made by the Chief Inspector (or delegate) and correlates with the complexity of the application and workload required for its consideration and decision.

Throughout the life of a project, proponents can consult with the MDRC without a fee being applied. Such discussions with this committee during exploration and prior to preparing for a major mine development are encouraged to ensure compliance with all the regulatory requirements of a new project. There are also times when MEM staff or staff from other ministries may approach an MDRC without formally referring an application for review. Discussions of this nature, whether initiated by a proponent or MEM inspector, do not trigger an application fee.

The following examples illustrate how fees will apply:

No Permit Fee

- Simple administrative or clerical changes, e.g. spelling corrections, change of company name or change of primary company contact name
- Documents and reports lodged as a compliance requirement – without need for amendment of the permit
- A request by a proponent to meet with an MDRC for advice prior to commencing the application process

\$10,000 Permit Fee

- Minor permit amendments requiring technical review by MEM only – no referral to committee
- Modification in process or technique
- A change of ownership on a permit which triggers First Nations consultation

\$125,000 Permit Fee

- Permit application for a new mine or major amendment
- Project application that requires coordinated authorizations and consultation through a committee for multiple approvals across agencies

\$60,000 Permit Fee

- Application to amend a permit to increase process throughput or for additional disturbance on existing land or other changes that requires a committee to review but of significantly less complexity than a typical new mine or amendment.
- May be a relatively simple application that requires extensive multi-agency approvals or conversely a complex issue under one agency's legislation requiring notification to other agencies through a committee.

4. Isn't there already a charge to get a *Mines Act* permit?

There are currently no fees charged for *Mines Act* permits. Implementing the permit fees will bring *Mines Act* permitting into line with many other government services where companies are charged the costs for government to undertake activities related to issuing permits or licenses.

5. Isn't this just another tax increase hidden as a fee – like BC Hydro rate increases, increased MSP premiums and ICBC insurance rates?

No, this is not a tax. This is a fee for service that enables government to assign the proper resources to provide the services needed and ensure a timely permitting model is maintained.

6. How much does the government expect to collect from the permit fees?

It is anticipated that the permit fee will generate approximately \$3M annually.

7. Doesn't the government have an obligation to fund the mine permitting process with the corporate taxes the mining industry pays to government?

This permit fee structure is a partial cost-recovery fee for service model. Government will be charging only for the permitting services provided as outlined in the fee schedules and only when particular thresholds of production or application complexity are met.

Mineral tax revenue is generated through the development of the province's resources by private companies. This tax revenue generated supports the delivery of a wide range of services by government to the broader community.

Permit fees are contributions by companies towards the cost of providing complex, often highly technical permitting services by MEM.

This approach is consistent with the fee-for-service model such as the oil and gas permits and government's commitment to no net increase in spending.

8. Won't these fees affect the growth and competitiveness of BC's mining industry?

It is expected that the permit fees, in the context of BC's overall royalty and tax structure will not have a significant impact on BC's competitiveness. Permit fees represent a marginal increase in costs which are outweighed by the benefits of an effective and well resources permitting process. Industry has made it clear that any delay in permitting is costly.

9. How will these fees impact junior exploration companies that are already struggling?

Exploration activities are exempt from permit fees.

10. Will these new fees impact the sand and gravel industry?

Sand and gravel operations require *Mines Act* permits and are included in the fee structure. The fees have been designed to have a very small impact on the cost of product per tonne (in the order of six cents per tonne).

11. How much say did industry have in the final fee structure?

Extensive consultation on the permit fees was undertaken with the Mining Association of BC, Association for Mineral Exploration BC, BC Stone, Sand and Gravel Association of BC and the Placer Miners Association and more broadly through a Permit Fee Discussion Paper.

As a result of the consultation process, a revised fee structure was developed that eliminated permit fees for exploration activities and small scale placer, sand and gravel, and quarry operations. The fee structures were modified to only apply to producing mines. For sand and gravel, the largest 65 percent of applications will pay permit fees. For placer mines, less than ten percent of applications will pay permit fees. Producing mineral and coal mines will pay a permit fee. There are no fees for changes that are merely administrative or clerical in nature.

12. What is the implementation date for the permit fees?

The fees are in effect as of April 1, 2015. For major mines, the fee will apply to applications already submitted but for which a decision has not yet been made on the permit.

13. What happens if I don't pay

Permit applications will not be processed if payment of permit fees is outstanding.

14. Inspection fee - Who does it apply to and how much is it going up?

Mine, pit and quarry operators currently pay annual mine health and safety inspection fees to cover the cost of health and safety inspections.

The inspection fees have not been updated since 1996. MEM is increasing the inspection fees while maintaining the existing framework for calculating the fee: a flat fee for pits and quarries and a percentage of payroll for producing metal and coal mines.

Inspection fees will increase commencing April 1, 2015. This will see new fees increase for payroll based calculations from \$0.52 per \$100 to \$0.70 per \$100 of assessed annual earnings. For tonnage based fees, which have not been updated or increased with inflation since 1996, there will be an increase of 50 percent.