

What We Heard:

Fee and Mineral Tax Models for British Columbia's Placer Mining Industry

Introduction:

The mining industry is a foundational industry in the Province of British Columbia. It provides over 30,000 direct jobs across the province, with operations ranging in scale from individuals to major mines employing hundreds of people. The industry is overseen by the Ministry of Energy, Mines and Low Carbon Innovation (the Ministry), which aims to ensure that the sector remains well-regulated, environmentally sound, advances reconciliation with Indigenous Nations, ensures a fair financial return to the Province, provides economic benefits to communities, and ensures public confidence in mining.

In 2019, the Province passed the *Declaration on the Rights of Indigenous Peoples Act (Declaration Act)* to implement the United Nations Declaration on the Rights of Indigenous Peoples (UN Declaration) as the framework for reconciliation in British Columbia. The Declaration Act commits the Province to ensure Indigenous peoples are fully engaged in processes of consultation and co-operation on matters that impact or are of interest to them, and to “take all measures necessary to ensure the laws of British Columbia are consistent with the Declaration.”

Placer mining, particularly for gold, has been an integral part of British Columbia's history and continues to have an important presence in many regional communities. However, changes in technology have facilitated an increased scale and number of operations, leading to greater environmental impacts on the land base and resulting in greater potential impacts on Aboriginal Rights and Title. The challenges of regulating and mitigating these aspects of the industry are compounded by the high number of applications and operations requiring compliance verification, all of which place a strain on government resources.

Regulating the placer industry requires a high level of resources with little direct return to the Province. It costs the Ministry approximately \$2 million per year to regulate the placer industry and only a small portion is recovered through the current permit fee and mineral tax regime. In 2020, the Ministry generated \$13,000 in permit fee revenue and \$58,436 in tax revenue from placer gold operations.

The Ministry is examining options for a potential new fee structure and mineral tax regime for the placer industry. The Placer Revenue Discussion Paper puts forward ideas for cost-recovery options that are more equitable across all mine sectors and incorporates feedback from engagement with Indigenous representatives on the placer sector that took place in 2018 and early 2019. More specifically, the discussion paper solicits new ideas and feedback on potential options, including new indicators and thresholds that could be used to determine the scale and complexity of an operation, which in turn can be used to inform both permit fees and mineral tax rates.

Engagement Process:

The Placer Revenue Discussion Paper was initially open for public feedback from May 28, 2021 to July 28, 2021, however the timeline was extended to September 28, 2021, due to the wildfires and overlap with the field season. Over this time, the Ministry received 85 survey responses and 15 written responses. The Ministry emailed placer miners and Indigenous Nations directly, asking for feedback and providing a link to the govTogether BC page and placer revenue email. Ministry staff also engaged with placer mining associations and Indigenous Nations.

The following What We Heard Report summarizes the feedback received and highlights key findings and next steps.

Response Breakdown:

The Ministry received survey responses from across the province, with the highest regional representation coming from the Cariboo region at 29 percent, followed by the Lower Mainland at 21 percent and the Thompson Okanagan at 14 percent. The majority of respondents, at 63 percent, said they have placer mining in their community and 79 percent of respondents said they are a placer miner. Indigenous respondents made up 12 percent of all responses and 33 percent of the written responses.

Should placer gold operations pay the same mineral tax rate as other mining sectors?

Currently, all placer gold operations are required to pay mineral tax on the transactional value of the gold they sell. For mineral and coal operations, permit holders pay a 2 percent net current proceeds tax until they have recovered the capital invested in their mine. Thereafter, they are subject to a tax of 13 percent on their net revenues. Placer operations pay mineral tax on the total sale of minerals from the mine. This tax rate is 0.5 percent of mineral product sold.

Overall, the majority of respondents, at 74 percent, did not think placer gold operations should pay the same mineral tax rate as other mining sectors. Respondents stated that most placer operations are small, compared to other mining sectors, and more of a recreational activity. Respondents also said that placer operators pay enough taxes and that most gold is not sold, but rather mined for exploration.

Do you support increasing the mineral tax rate for placer gold operations?

Similarly to the question above, most respondents, at 68 percent, did not support increasing the mineral tax rate for placer gold operations. When asked to elaborate, respondents said that most placer operations are small and cannot afford an increase in taxes. Respondents stated that placer operators pay enough tax and that increasing the tax will have a significant impact to recreational mining.

Respondents that supported increasing the mineral tax made up 22 percent of responses, stating that placer mines should be taxed according to industry standards. Indigenous respondents also stated their support for increasing the mineral tax rate and making placer operators pay the same rate as other mining sectors. When asked if this increase should be a flat rate or tiered, based on area of disturbance, 65 percent of respondents supported a tiered rate, while 35 percent supported a flat rate.

Respondents that supported a tiered rate, based on area of disturbance, believed that small operations would be less affected by an increase and that operations with greater disturbance should be paying higher taxes. Respondents that supported a flat rate thought that it would simplify the tax and that disturbance does not equate to gold production. Supporters of a flat rate thought that the tax should be based on gold production and not area of disturbance.

Should the tax be minimized by doing progressive reclamation?

Responses to this question were mixed, with 49 percent in support, 31 percent not supporting, and 20 percent not sure if the tax should be minimized by doing progressive reclamation. Respondents that did not support the progressive reclamation said that the tax should be based on gold production, and not reclamation, which is already required. While respondents supporting the proposal thought that progressive reclamation would encourage placer miners to minimize their disturbance.

How should the mineral tax reflect Indigenous interests?

The majority of respondents, at 73 percent, believed that a mineral tax should not reflect Indigenous interests. Respondents either stated that there should not be a tax, or the tax should be used to make improvements to the sector and speed up the permitting process. Respondents that supported the idea of a mineral tax reflecting Indigenous interests thought that the tax could be used to support capacity funding and meaningful consultation. Indigenous respondents stated that any update to the mineral tax regime needs to consider revenue sharing and reflect the monetary value of mineral resources being extracted from their traditional territories.

Similarly, when asked how permit fees could reflect Indigenous interests, most respondents, at 70 percent, said permit fees should not reflect Indigenous interests. Respondents who supported the idea stated that permit fees could be used to support capacity funding.

Which is the more appropriate indicator for determining the scale of an operation?

The Ministry is exploring options for permit fees that ensure placer mining remains economically viable for operators. Currently, the scale of an operation is determined by the volume of pay dirt to be processed. The Ministry is looking at other potential indicators (i.e. area of disturbance vs volume of material moved) to measure the scale of production, and how fees can be tiered to reflect the scale of an operation.

Respondents were split when it came to the more appropriate indicator for determining the scale of an operation, with 53 percent of respondents supporting volume of material moved and 47 percent supporting area of disturbance. Respondents that supported volume of material moved stated that the indicator better reflects the size of an operation, whereas supporters of the area of disturbance thought this indicator better reflects damage to the environment and promotes active reclamation.

What activities should indicate increased complexity of an operation?

The Ministry is considering how activities could be used to indicate the complexity of an operation. The presence or creation of features, such as: multi-bench pits, dams, and underground operations, could elevate an application into the next permit fee category.

When asked what activities should indicate increased complexity, the most common response, at 34 percent, was the use of heavy machinery/ excavators and blasting. Respondents also said that the size of a work camp and number of people working could indicate the complexity of an operation. Lastly, if a miner obtains a water licence or has a settling pond, this could indicate the increased complexity of an operation.

Indigenous respondents expressed an interest in using multiple indicators to determine the scale of an operation, mainly the type of activities and area of disturbance. Together, these indicators would encourage placer miners to limit their disturbance and require miners to pay more if they utilize heavy machinery or work near sensitive ecosystems.

Considering the impact of operations and fees paid by other sectors, what fees do you think are appropriate for the different scale of operations?

Permit fees are determined when an applicant submits a Notice of Work (NOW) application, in which they outline their proposed work and the amount of pay dirt to be moved. All operations that involve mechanized disturbance require a NOW application and authorization. However, most placer operations are small enough that they do not meet the threshold to pay permit fees.

When asked what fees are appropriate for the different scale of operations, the most common response, at 62 percent, was that placer miners pay enough taxes and that small operations should not be taxed. Respondents who supported a fee increase, based on the scale of operations, thought that large operations should be paying more than small operations. While only 10 percent of respondents thought that fees should be a flat rate for all operations.

Should the Ministry introduce a separate inspection fee for placer gold operations?

Currently, placer mines are not subject to inspection fees to cover the costs of health and safety inspections. For mineral and coal mines, the inspection fee is \$0.70 per hundred dollars of payroll. For pits and quarries, inspection fees are based on the material extracted and paid annually.

When asked if the Ministry should introduce a separate inspection fee for placer gold operations, the majority of respondents, at 73 percent, said placer miners should not have to pay for inspections. Respondents that supported the inspection fee said that more inspections are needed and that the fee should be higher for large operations.

Should this fee be a flat rate or tiered, based on area of disturbance?

Of the respondents that supported an inspection fee, 79 percent thought the fee should be tiered, while 21 percent thought the fee should be a flat rate. Respondents who supported a tiered rate stated that an inspection fee should reflect the environmental impact of an operation. Respondents who supported a flat rate said the cost of an inspection should be the same because an inspector is conducting the same amount of work.

What other options should the ministry consider?

When asking respondents what other options the Ministry should consider, the most common response was that the Ministry should have a tax/permit fee based on the scale of operations. Any increase should be tiered and not overburden small operators. Respondents proposed the idea of having separate regulations for small operations or establishing a small mines permit.

As a means of generating more revenue, respondents proposed the idea of adding a mineral transfer tax for when a claim is transferred or re-introducing dredging and charging an annual fee. Respondents also outlined a need for government to develop programs for new technologies to assist in the recovery of minerals, sharing historical data on placer operations, and assisting miners in finding markets for industrial minerals.

Respondents discussed the need to hire more inspectors and strengthen compliance and enforcement to ensure placer miners are complying with the regulations. Lastly, respondents discussed a need to speed up the permitting process. As a means of speeding up the process, respondents proposed that small operations should be exempt from the permitting process.

Feedback from Indigenous Nations:

In letters to the Ministry, Indigenous Nations outlined how placer mining is environmentally destructive and, in most cases, infringes on Indigenous rights and title, due to impacts on the land base. Overall, Indigenous respondents stated that they wanted to see a reduction in placer mining in their territory and prefer shorter claim expiration timelines, with a continuous review of activities and their associated fees.

Indigenous respondents support a new permit fee and tax structure for the placer sector, stating support for a multi-indicator approach that factors in area of disturbance and the proposed activities to determine permit fees. These fees could be increased for placer mines located in sensitive areas or that fragment habitat. There was further interest in the development of an impact calculator that would determine the potential environmental, economic, and social impacts of a project, and the associated permit fee.

Regarding mineral tax, Indigenous respondents wrote that the tax should account for revenue sharing and be increased so the Province is not operating at a loss. A key concern from Nations was that

royalties from placer mining are not being shared with impacted communities. Indigenous respondents stated interest in having a territory tax or First Nations resource tax for when resources are transferred to the private sector.

Indigenous respondents also outlined the need to increase inspections and fines for environmental violations. Indigenous respondents support an inspection fee for placer mines and believe the fee should be tiered and cover the cost of an annual inspection. Annual audits should also be performed to ensure more accurate reporting and dissuade tax evasion.

Key Findings and Next Steps:

There were a number of common themes among the written submissions and survey responses. Overall, the majority of respondents did not think that placer gold operations should be paying the same mineral tax rate as other mining sectors and did not support increasing the mineral tax rate. The main reason is that respondents thought that placer miners pay enough tax and that any increase would harm small operators. If there was an increase to the tax rate, respondents would want the rate to be tiered so that small operators are not overburdened. Regarding permit fees, the Ministry proposed multiple indicators to measure how fees could be tiered to reflect the scale of an operation. Responses were split between area of disturbance and volume of material moved. Respondents supporting area of disturbance believed the indicator better reflects damage to the environment, while supporters of volume of material moved thought that the indicator better reflects the size of an operation. When considering the types of activities that could move an operation into a higher fee threshold, respondents thought that the use of heavy machinery, such as excavators, could indicate the increased complexity of an operation, along with the number of people working on site. Lastly, most respondents did not support a separate inspection fee for placer mines, but those who did support the idea stated that the fee should be tiered so that small operations are not as impacted.

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As a next step, the Ministry will continue to work with the placer industry and Indigenous Nations to examine potential revenue models, taking into consideration the environmental, economic, and social impacts of placer mining. The Ministry has also planned some virtual engagement sessions with Indigenous Nations in December 2021 and February 2022. These sessions will provide additional opportunities for input. In the coming months, the Ministry will release an Intentions Paper, which will outline a viable revenue model and provide further engagement opportunities. The Ministry appreciates everyone's time and feedback as we work together to ensure the placer industry operates to modern standards for environmental stewardship, supports Indigenous reconciliation and provides economic return to the Province.