Key Messages – Securing Mining Investments

Meeting with Glencore, Sudbury Integrated Nickel Operations – December 1, 2017

Highlight the Importance of the Mining Industry to Ontario's economic prosperity

- Indicate that the Ontario government is committed to supporting a dynamic business climate in Northern Ontario to help drive community and economic development.

- Indicate the important economic contribution that the mining sector makes to local communities across Ontario, providing a broad scope of employment and entrepreneur opportunities (e.g. engineers, consultants, lawyers, etc.). Highlights include:

    - Total direct and indirect employment across Ontario mining, mineral processing and mineral manufacturing is 76,000. Total employment in the mining supply and services sector is 41,000;
    - The mining, smelting and refining industry has the highest annual wages and salaries of all industrial sectors in Canada averaging $115,000 in 2015. Direct industry payroll in the province is in excess of $1.6 billion annually; and
    - The mineral sector is the largest private sector employer of Indigenous People in Canada. In Ontario, Indigenous People account for greater than 11 per cent of employees in the mining industry.

- Highlight that mineral wealth and associated economic activities continue to be a fundamental building block and source of livelihood for many communities in Northern Ontario.

- Commit to continuing to work with our industry partners to maintain and strengthen their global competitiveness.

Ministry of Northern Development and Mines

Launch of Permanent NIER Program and funding through the NOHFC to support Glencore's $1.5 billion investment

- Indicate that MNDM is committed to supporting a dynamic business climate in Northern Ontario to help drive community and economic development.

- Highlight that in a May 2016 letter, Minister Gravelle expressed interest in exploring ways to support significant investment from Glencore in Sudbury, Ontario.

- Remind Glencore that the approaches put forward to support their estimated $1.5 billion investment in Sudbury Integrated Nickel Operations (Sudbury INO) included the launch of the updated Northern Industrial Electricity Rate (NIER) Program and potential project financing under the Northern Ontario Heritage Fund Corporation (NOHFC).

- Acknowledge that we continue to be interested in exploring ways to support significant investment from Glencore to the Sudbury INO.

- Highlight that in June 2017, Ontario launched the permanent NIER Program, with revised rebate caps that increased Glencore's rebate up to ~$15 million per year at Sudbury INO (up from ~$14 million under the previous program).

- Indicate that we also developed a number of program enhancements, including assisting companies with multiple participating facilities to request transfer of all or part of its rebate caps from one facility to another and this may provide a mechanism for Glencore to transfer its facility rebate cap from Timmins (projected closure in 2022) to Sudbury INO.

- Acknowledge that we are pleased that Glencore has submitted an application to the NOHFC for potential project financing of up to $5 million per year for a 10 year period for eligible capital expenditures to advance innovative technologies related to its deep mining project at Sudbury INO.

- Specify that we understand that the application is currently being assessed by NOHFC's due diligence provider and will be brought forward for consideration by the NOHFC Board at a future date.

- Mention that we are fully supportive of an all of government approach to finalize this project and secure Glencore's investment at Sudbury INO.

If asked about the specifics of the permanent NIER Program:

- Indicate that the 2015 Ontario Budget committed to the ongoing support for northern industrial facilities with continued investment of up to $120 million per year through the NIER program.

- Highlight that in June 2017, the government launched the permanent NIER Program.

- Identify that the permanent NIER Program, along with the increase to 5 year program agreements, gives participants greater certainty on electricity input costs when considering long-term investments and capital planning decisions.

- Provide a reminder that based on consultation with stakeholders, as well as an internal program review, the new permanent NIER Program includes a number of enhancements to help business in Northern Ontario, including:
  - Enhanced Energy Management Plan (EMP) process and reporting;
  - Revised established rebate caps to a more recent three-year average to better reflect more recent electricity consumption;
  - Increased term of the NIER Program agreement to 5 years (2017-2022);
  - Quicker program access for new companies by reducing the amount of funding required to be available to move applicants from the Program Queue to the program; and
  - Assist companies with more than one participating facility, permitting the transfer of rebate cap from one facility to another.

- Highlight that under the NIER Program to-date, Glencore has received $150 million in rebate disbursements.

Ministry of Environment and Climate Change

Cap and Trade Post-2020 Design

- Ontario understands the importance of finalizing the details for future compliance periods to give the regulated community greater clarity and certainty about the program after 2020.

- We began discussions with stakeholders on cap and trade post-2020 program design in August 2016.

- In Fall 2017, we engaged with stakeholders on setting emissions caps for future compliance periods (2021-2030).
  - A regulatory proposal was recently posted on the Environmental Bill of Rights (EBR) to amend the cap and trade regulation to provide for linking, to set emissions caps for 2021-2030 and other amendments aimed at improving fair and equitable treatment of program participants.
  - The proposal was open for public comment for 45 days, closing November 6, 2017.

- Discussions will be on-going regarding designation of Emissions-Intensive Trade-Exposed (EITE):
    - In the first compliance period, allowances are being distributed free of charge to give industry time to plan and invest in technologies and green projects that will lower their carbon emissions.
    - Further analyses will be undertaken to support a post-2020 design.

SO2 Emissions

- Proposals to update SO2 standard and clarify requirements for Transitional Operating Conditions (e.g. acid gas flaring from petroleum refineries) on EBR to December 11, 2017.

- The posting seeks input on whether to apply the standard in Southern Ontario and Northern Ontario or part thereof.
    - *Note: Current regulatory framework allows for Site Specific and Technical Standards when due to technological and economic considerations the air standard cannot be met.*

Green Ontario Fund

- In the coming month, the Green Ontario Fund, a new provincial agency established by the MOECC will announce new funding to support further reductions of GHG emissions from goods production.
    - The program will include two streams: projects offering deep GHG emissions reduction and seeking matching funds of up to (i) $5 million and (ii) $20million.

- Potential new GGRA programs that could fund projects that reduce GHG emissions as a way to 're-invest' proceeds to reduce impact of Cap and Trade costs.
    - Areas of interest to the Ontario Mining Association (OMA) could include support for:
        - Battery electric vehicles (*note: potential to build on recently approved Green Commercial Vehicle Program delivered by MTO*);
        - Energy storage program (e.g. potential to support microgrids for remote mines or local generation);
        - Ventilation-on-demand (VOD);
        - Support for GHG reduction innovation through funding to the Centre for Excellence in Mining Innovation.

Ministry of Energy

- The much-needed investments in our electricity system have led to higher electricity prices. As a result, Ontario's Fair Hydro Plan was developed to relieve the cost pressures caused by these system improvements. It builds on actions already taken over the past several years that reduced electricity costs for families, farms and businesses, including:

  - Deferring the construction of two new nuclear reactors at the Darlington Nuclear Generating Station, avoiding an estimated $15 billion in new construction costs;

  - Driving down the cost of renewable energy generation through annual reviews of Feed-In Tariff (FIT) pricing, revised procurement totals, and the introduction of competitive procurement for large renewable projects. This reduced the cost of renewable energy generation by at least $3 billion, compared to the forecast in the 2013 Long-Term Energy Plan (2013 LTEP);

  - Suspending the second round of the large renewable procurement process (LRP II) and the Energy-from-Waste Standard Offer Program. This is expected to save up to $3.8 billion compared to the forecast in the 2013 LTEP;

  - Renegotiating the Green Energy Investment Agreement with Samsung, reducing contract costs by $3.7 billion;

  - Starting the refurbishments at the Bruce Nuclear Generating Station in 2020, instead of 2016, helping to save $1.7 billion compared to the forecast in the 2013 LTEP; and

  - Pending regulatory approvals, continuing to operate the Pickering Nuclear Generating Station up to 2024, for an estimated saving for ratepayers of as much as $600 million.

- There are a number of measures in place to help industries, business and commercial operations and institutions lower their electricity costs. These measures include:

  - The Industrial Conservation Initiative (ICI) provides incentives to large electricity consumers to reduce their consumption and lower their electricity costs during peak hours. This also benefits the electricity system by deferring the longer-term need for new peaking generation;

  - The Industrial Accelerator Program (IAP) assists eligible transmission-connected companies and their distribution-connected sites to fast-track the capital investment needed for major energy conservation projects; and

  - The Northern Industrial Electricity Rate (NIER) Program provides rate rebates to Northern energy-intensive industries facing competitiveness pressures due to higher energy costs. The program also assists industrial consumers in developing and implementing energy management plans to manage their usage and reduce costs.

- The Independent Electricity System Operator (IESO) has begun a Market Renewal initiative to redesign the province's electricity markets. This undertaking is expected to save up to $5.2 billion between 2021 and 2030 and forms a key component of the government's plan to bring down the cost of electricity.

- Market Renewal is expected to result in a more competitive marketplace that more flexibly and efficiently meets system needs and government policy goals. Market Renewal will be aligned with the objectives of Ontario's Climate Change Action Plan, and will be designed to meet system needs, reduce ratepayer costs and reduce GHG emissions.

- Market Renewal will help Ontario prepare for the future by creating a competitive framework that cost-effectively incorporates clean energy resources and new and emerging clean technologies. This will help meet our climate change and greenhouse gas (GHG) reduction commitments. The IESO, together with its sector partners, has identified the need to ensure that this new framework can properly value environmental attributes and the benefits they provide to the system. At the same time, existing resources will be able to continue to meet system needs in the redesigned electricity markets. Maximizing the use of these assets will allow Ontario to limit future cost increases.

- A reformed electricity market would not only help reduce costs, but also increase two-way electricity trade with other jurisdictions. Imports and exports could be scheduled more frequently on the interties, which are the transmission lines going to states and other provinces. This could allow more imports of lower-cost generation, and provide greater revenue and access to export markets for Ontario generators.

- Ontario will also continue to exercise strict oversight of nuclear refurbishments and ensure they provide value for ratepayers.