

MEETING NOTE

NAME OF ORGANIZATION: Goldcorp
DATE/TIME OF MEETING: January 17, 2018
LOCATION OF MEETING: TBC

PURPOSE: To discuss the Century Project at Goldcorp's Porcupine operation in Timmins, Ontario.

ATTENDEES: **Minister of Energy**
Glenn Thibeault, Minister of Energy

Goldcorp
John Mulally, Director Government Relations and Energy
Brent Bergeron, Executive Vice-President Corporate Affairs and Sustainability
Marc Lauzier, General Manager, Porcupine Gold Mine
Chris Benedetti, Principal with Sussex Strategy Group

LAST MEETING: January 15, 2018 with MNDM and ENERGY

*In addition, Goldcorp executives met with Secretary of the Cabinet Steve Orsini and the Ministry of Northern Development and Mines' (MNDM) Deputy Minister David de Launay on December 19, 2017.

Goldcorp intends to brief the Deputy on their Century Project at the Dome mine in Timmins. The company will be providing an overview of the project and related challenges, as well as some options on potential paths forward.

ANTICIPATED AGENDA ITEMS (OR 'AGENDA' IF WE HAVE RECEIVED ONE):

1. Electricity prices
2. Impact of Cap and Trade

NOTES ON AGENDA ITEMS:

1. Electricity Prices

- According to a November 2017 report prepared by PwC for Goldcorp, electricity prices are among the primary challenges that have contributed to a deterioration in Ontario's ranking as a competitive mining jurisdiction.
- The Century Project's mine is a \$1 billion development that is proceeding through Goldcorp's Investment Framework and will compete with internal projects in other jurisdictions. An investment decision is expected in 2018.
- Ideas to address electricity costs that were discussed by Secretary of the Cabinet Orsini and Goldcorp in December 2017 include some combination of:
 - A 15-year contracted electricity price that is lower than the price paid currently by Goldcorp (e.g., a contract price of \$75/MWh);
 - A guaranteed NIERP payment over a longer period of time (i.e., increasing NIERP to \$40/MWh and a 15-year term); and
 - An upfront or ongoing capital contribution of \$90 million.

Suggested Response:

- **We recognize the importance of electricity prices for the mining sector in Ontario. Maintaining competitiveness with respect to energy costs is a top government priority.**
- **As part of Ontario's Fair Hydro Plan, the Ontario Electricity Support Program (OESP) and the Rural or Remote Rate Protection (RRRP) program are now funded from provincial revenues instead of by electricity consumers. This lowers electricity costs for all electricity consumers, who previously funded a portion of these programs.**
- **In addition, there are a number of existing initiatives available to business consumers to help them manage their electricity costs:**
 - **Industrial Conservation Initiative (ICI);**
 - **Industrial Accelerator Program (IAP);**
 - **Northern Industrial Electricity Rate (NIER); and**
 - **Demand Response initiatives; and**
- **We intend to remove the Debt Retirement Charge (DRC) for commercial, industrial and other non-residential electricity users on April 1, 2018, nine months earlier than previously planned.**
- **The government has also taken significant steps to make Ontario's business tax system more competitive and create the conditions for long-term economic growth.**

Background:

Industrial Conservation Initiative (ICI)

- Due to their large size, Goldcorp's sites qualify and participate in ICI. Under ICI,

these consumers are charged Global Adjustment (GA) on the basis of their share of the total system demand during the highest five peak hours of the year. While savings vary, ICI participants pay on average 33% lower electricity costs than if they did not participate.

Industrial Accelerator Program (IAP)

- The IAP assists eligible transmission-connected companies to fast track capital investment in major energy conservation projects. The program provides financial incentives to encourage investment in innovative process changes and equipment retrofits to reduce electricity consumption on the provincial system and to help companies become more competitive by positively impacting their bottom line.

Northern Industrial Electricity Rate Program (NIERP)

- Provides \$20 megawatt per hour (MWh) rebate for qualifying large northern industrial consumers, including mines such as Goldcorp. The province committed to extending the program beyond March 31, 2016.

Ontario's Fair Hydro Plan

- On March, 2, 2017, the government announced Ontario's Fair Hydro Plan which includes shifting the cost of the Rural or Remote Rate Protection Program (RRRP) and Ontario Electricity Support Program (OESP) from the rate-base to the tax-base. This benefits all ratepayers including large industrial ratepayers. Note: Large industrials receive a benefit of approximately \$3/MWh.
- Click [here](#) for additional background regarding Item 1.

3. Impact of Cap and Trade

- Goldcorp may raise concerns on the impact of cap and trade on future mining operations as it considers whether to use electricity or diesel in the context of the Century Project.
- In its LTEP submission, Goldcorp suggested that companies who engage in significant fuel switching be rewarded with a lower electricity price via the introduction of a government program.
- Also in its LTEP submission, Goldcorp was concerned about a lack of certainty regarding cap and trade's impact on the electricity sector post-2020 (i.e., after the first compliance period ends).

Suggested Response:

- **Ontario has been taking strong climate-positive actions for years, such as successfully eliminating coal as a source of electricity generation and developing a long-term energy plan that focuses on a safe, clean, reliable and affordable energy future.**

- The elimination of coal-fired generation represents a 30 Mt reduction in greenhouse gas (GHG) emissions since 2003. Ontario's electricity sector is now over 90% emissions-free based on the 2016 generation mix.
- As a result of these efforts, Ontario's electricity system is in a strong position as we move forward with implementing the province's cap and trade program.
- The \$3/MWh savings provided by shifting the costs associated with the Ontario Electricity Support Program (OESP) and Rural or Remote Rate Protection (RRRP) to provincial revenues as part of Ontario's Fair Hydro Plan has more than offset the impact of cap and trade on electricity prices for the vast majority of electricity intensive consumers.
- I appreciate Goldcorp's suggestions regarding programs that could incent significant fuel switching from fossil fuels to electricity. Cap and trade proceeds will be used to support programs aimed at reducing greenhouse gas emissions and energy consumption.
- The Ministry of the Environment and Climate Change (MOECC) continues to implement its Climate Change Action Plan, which outlines how cap and trade auction proceeds are to be used in first compliance period of cap and trade.
- Government will outline its plan for fighting climate change post-2020 in the next CCAP, which will be developed as we approach 2020.

Background:

- A preliminary assessment from MOECC revealed that most mines in Ontario report emissions between 10,000 and 25,000 tonnes of CO₂e per year, and there are a few that emit over 25,000 tonnes CO₂e per year. As such, emissions from the majority of Ontario mines will either be included in the cost of natural gas provided by the utility or if the mine is a voluntary participant, they will be responsible for their own emissions.
- On June 8, 2016, Ontario released its five-year Climate Change Action Plan (CCAP) designed to help Ontario take steps to transition to a low-carbon economy. No announcement has been made regarding specific programs that would reward industrial consumers that engage in fuel switching.
- Click [here](#) for additional background regarding Item 2.

KEY FACTS:

- Goldcorp is a Canadian company headquartered in Vancouver and is a major gold producer with projects in North and South America. According to Goldcorp, energy represents about 12% of their total production cost in Ontario.
- Between Red Lake Gold Mines (RLGM), Porcupine Gold Mines (PGM) and Musselwhite Mine (MWM), Goldcorp consumes ~ 600,000 MWh per year and paid more than \$50 M for electricity in 2016 (average rate ~\$85/MWh though one of the facilities paid \$45/MWh).
- Goldcorp's development pipeline includes 2 projects in Ontario, a deep mine at Borden Lake (160km West of Timmins) and the Century open pit project adjacent to its existing opencast site at Timmins. Both sites could be operational in 2019 if exploratory drilling is successful.
- In total, Global Adjustment represents 50% of Goldcorp Ontario's electricity cost or roughly \$25 M per year. All three sites participate in ICI.
- Between 2013 and 2015, Goldcorp's Musselwhite mine reduced GHG emissions by 20,000 tCO₂e / year and energy consumption by 100,000 MWh/year through conservation and phasing out diesel generation.
- All three sites take advantage of the NIER program which reduces the cost of electricity by \$20/MWh though it does go above its allocation so not every MWh consumed receives the rebate.
- All three sites employ an energy manager through the IESO's IAP.

David Garofalo – Bio

- David Garofalo was appointed President and Chief Executive Officer of Goldcorp in February 2016, and is a member of the Board of Directors.
- David has overall responsibility for Goldcorp's leadership, vision and strategy, ensures that the company effectively carries out strategic plans approved by the Board, and identifies and monitors key business risks.
 - He also ensures that Goldcorp has appropriate policies and programs to provide for safe, effective operations that drive sustainable value for all of Goldcorp stakeholders.

Previous Business Experience

President and Chief Executive Officer, HudBay Minerals Inc. (2010 to 2016)

Senior Vice President, Finance and Chief Financial Officer, Agnico-Eagle Mines Limited (1998 to 2010)

Treasurer and various finance roles, Inmet Mining Corporation (1990 to 1998)

Recognition

The Northern Miner: Mining Person of the Year (2012)

IR Magazine: Best Investor Relations by a CEO (2011)

IR Magazine: Best Investor Relations by a CFO (2009, 2010)

Brendan Wood International: Top Gun CFO (2009, 2010)

Financial Executives International Canada: Canada's CFO of the Year (2009)

Board Memberships

Goldcorp

Vancouver Board of Trade

Vancouver Symphony Orchestra

Education

Bachelor of Commerce (with Distinction), University of Toronto

Current Status of Goldcorp's Century Project and Related Timelines

- According to Goldcorp, the Century Project is a decision-point that will be heavily scrutinized internally over the coming months as Goldcorp advances its pre-feasibility study towards a "go or no-go" decision.
- Given Goldcorp's internal timelines they will need to have indicative variables to insert into their financial model by May/June 2018. The sooner Goldcorp can have a degree of certainty over inputs into its internal rate of return (IRR) calculation, the clearer securing a positive decision from its executive team and Board may be.
- To advance this assessment Goldcorp has indicated that they would appreciate the opportunity to work with the Ontario government in a "very iterative manner", in early 2018, to devise options that could help to achieve Goldcorp's objective of enabling the Century project to proceed.

APPENDIX:

1. Electricity Prices

Century Project (Timmins open pit mine project)

- Goldcorp noted that ICI is not good for facilities that must run 24/7 to remain competitive and recommend NIER to be expanded to cover all its existing industrial operations.
- If in 2022, NIER is fully subscribed and electricity consumers pay the full price for carbon, Goldcorp suggest the price of electricity will be significant deterrent to the Century Project.
- Goldcorp favours the introduction of an Industrial Electricity Incentive (IEI) type program. IEI offered reduced electricity rates for companies starting or expanding operations in Ontario. IESO awarded 22 contracts to energy-intensive companies across the province through the program.

Industrial Conservation Initiative (ICI)

- ICI encourages Ontario's largest consumers to reduce consumption during peak periods to save on average on-third on their electricity bills.
- By reducing the province's peak demand, ICI has the added benefit of reducing cost pressures on electricity prices by deferring the need to build peaking generation.
- Under ICI, consumers are charged Global Adjustment on the basis of their share of the total system demand during the highest five peak hours of the year.

Industrial Accelerator Program (IAP)

- The Industrial Accelerator Program (IAP) assists eligible transmission-connected customers to fast-track capital investment of up to \$10 million for major energy-efficiency projects, equipment retrofits, process changes and new construction.
- Eligible participants can receive funding of up to 70% for major energy-saving projects, including process and system changes, retrofits and new construction.
- Most of Goldcorp's Ontario facilities are transmission connected facilities and would be eligible to participate in IAP. Any distribution connected facilities would be eligible to participate in the *saveONenergy* for Business program, which includes incentive offerings similar to IAP.

Northern Industrial Electricity Rate Program (NIERP)

- Provides \$20 megawatt per hour (MWh) rebate for qualifying large northern industrial consumers, including mines such as Goldcorp.
- The province committed to extending the program beyond March 31, 2016.

Demand Response (DR)

- DR provides payments to businesses and industry to shift consumption at times when the electricity system is stressed.
- The IESO has transitioned DR from a program approach to a market approach.
 - Annual DR auctions replace the practice of multi-year contracting for DR. Under the former OPA, DR resources were procured through the DR3 program for typically 5 year contract periods.
 - The IESO held its first DR auction in December 2015, procuring ~390 MW were procured for the summer commitment period (May 2016 to October 2016) and ~400 MW for the winter commitment period (November 2016 to April 2017).
- In addition to the DR auction process, IESO is also undertaking pilot programs to test new capabilities for DR in the energy market and its ability to meet system needs.
- (Click [here](#) to return to the main content)

2. Cap and Trade – Background

General

- On May 18, 2016, Ontario passed the Climate Change Mitigation and Low-Carbon Economy Act, 2016 and on May 19, 2016, Ontario posted its final cap and trade regulation (O. Reg. 144/16) and guideline.
- In certain circumstances, some consumers will not have the carbon cost passed on to them by the fuel distributor, if their emissions associated from fuel combustion are already captured under cap and trade (e.g., in the case of “Large Final Emitters”, discussed further below) or they are voluntary participants.
- Large final emitters (LFE), mandatory participants under cap and trade, are defined as emitting at least 25,000 tonnes of CO₂e (carbon dioxide equivalent) per year or more.

- Voluntary participants are facilities who emit between 10,000 and 25,000 tonnes of CO₂e per year and who choose to participate directly in the program.
- Under the cap and trade regulation/guideline, MOECC will apply a formula-based approach to determine the quantity of allowances that an eligible large final emitter (LFE) will receive free of charge.
- All covered facilities (i.e., those whose emissions exceed the opt-in threshold of 10kt) are eligible for free allowances during the first compliance period of cap and trade.
- LFEs are responsible for purchasing allowances to cover the emissions above their free allocation amount.

Electricity and Natural Gas Impacts

- Emissions from electricity generation are subject to a carbon price through the cost of fuel. Natural gas-fired electricity generators are expected to pass on the cost of carbon through increased offers into the wholesale electricity market.