

Natural Resources
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Reports on Labrador Mining Support Need for Power

Two reports on Labrador mining conclude that the mining industry has a significant impact on the economy of Newfoundland and Labrador, and that Muskrat Falls will be an important source of power for potential mining developments. The discussion documents, "Labrador mining and power – how much and where from?", and "Economic Impact Analysis of Iron Ore Mining Industry in Labrador 2011-31", were released today by the Department of Natural Resources.

"The mining industry holds tremendous growth potential, with upwards of \$10-15 billion of investment in Labrador mining projects possible over the next decade," said the Honorable Jerome Kennedy, Minister of Natural Resources. "The reports released today support the conclusion that the development of potential projects will be dependent in part on the availability of power, and Muskrat Falls power is needed to support mining developments in Labrador."

Based on projects already in construction or near sanction, existing generating capacity in Labrador may be exhausted by 2015-2017, and Muskrat Falls could be an important source of power for mining developments post 2017.

There are currently a number of mining projects at various states of development in Labrador. Voisey's Bay, Wabush Mines, Iron Ore Company of Canada's (IOC) Carol Lake and Labrador Iron Mines Ltd are in operation. IOC Concrete Expansion Program and Tata Steel Minerals Canada are currently in construction. The feasibility study for LIM Expansion is complete. Alderon Iron Ore Corporation's Kami project, Tata Steel Canada Labmag project, Vale Inco's Voisey's Bay underground mine and Labec Century Iron Ore's Joyce Lake are all undergoing feasibility studies. IOC Labrador West Strategic Development, North Atlantic Iron Corporation, Aurora's Paladin Michelin project and Julienne Lake are all undergoing pre-feasibility studies.

This Labrador mining paper examines the process of developing a mine, the importance of competitively priced power to development and the potential power requirements of some or all of these if projects were to proceed.

To illustrate the economic importance of the mining industry to Newfoundland and Labrador, Dr. Wade Locke and Strategic Concepts, Inc. prepared the paper entitled, "Economic Impact Analysis of Iron Ore Mining Industry in Labrador 2011-31." This paper highlights the economic impacts associated with the current and potential development of the iron ore industry in Labrador under four growth scenarios. Dr. Locke demonstrates that the forecasted capital and operating expenditures under each of the scenarios will have a significant impact of the economy of Newfoundland and Labrador.

Dr. Locke's report shows that the iron ore industry in Western Labrador already makes a major contribution to the province through employment, taxation revenue and contribution to gross domestic product (GDP). The growth scenarios developed by Dr. Locke show that production in Labrador could grow from the current 26 million tonnes per year to 81 million tonnes if all projects proposed were developed. Over a 21 year period, such growth would result in an additional \$80 billion in new capital and operating expenditures, 358,000 person years of employment, and \$117 billion in GDP. The provincial treasury would also see an additional \$17.5 billion in tax revenue.

"Muskrat Falls will be an important source of power for mining, and the availability of power for mining developments will encourage investment right here in our province, rather than in competing jurisdictions," said Minister Kennedy. "Such mining developments would bring major economic benefit to the province which would benefit the people of our province today and for generations."

To view the full discussion papers, please visit: www.powerinourhands.ca.

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Key Points

Labrador mining and power – how much and where from?

- The provincial mining sector in 2012 is forecast to operate at strong levels, with mineral industry employment at all-time highs. In 2011-12, the minerals industry in Newfoundland and Labrador directly contributed \$343 million to the province's tax revenues.
- Upwards of \$10-15 billion of investment in Labrador mining projects may be realized over the next decade, dependent in part on the availability and cost of power. If these projects proceed they will bring major economic benefits to the province, as well as provide significant opportunities for service and supply companies.
- Estimation of future power needs for planned mining developments is challenging, particularly as many projects have not advanced to where firm requests for power have been made.
- Muskrat Falls will be an important source of power for mining developments, and sanctioning of the project may assist mining companies in making positive investment decisions for Newfoundland and Labrador, which will bring significant benefits to the province.
- Availability of power will encourage investment in mining developments in the province rather than in competing jurisdictions.
- The Isolated Island option will not supply the power needed for Labrador mining developments.

Economic Impact Analysis of Iron Ore Mining Industry in Labrador 2011-31

Prepared by Dr. Wade Locke

- This report estimates the economic impacts associated with the current and potential development of the iron ore industry in Labrador under four growth scenarios. The purpose of the report is to generate a series of economic simulations that illustrate the significant economic impacts of iron ore mining developments in Labrador.
- The forecasted capital and operating expenditures under each of the scenarios will have a significant impact of the economy of Newfoundland and Labrador.

- The report shows that the iron ore industry in Western Labrador already makes a major contribution to the province through employment, taxation revenue and contribution to gross domestic product (GDP).
- The growth scenarios developed by Dr. Locke show that production in Labrador could grow from the current 26 million tonnes per year to 81 million tonnes if all projects proposed were developed. Over a 21 year period, such growth would result in an additional \$80 billion in new capital and operating expenditures, 358,000 person years of employment, and \$117 billion in GDP. The provincial treasury would also see an additional \$17.5 billion in tax revenue.