

**Summary of CPAWS-Yukon Review of Peel Watershed Planning Commission's Report:
*Strategic Overview of Possible Mineral Development Scenarios – Phase 1 (Gartner Lee)***

CPAWS-Yukon is gravely concerned with biases inherent in this report. It appears to assume that the highest and best use of Yukon public lands is mining. We thought that the report was to objectively assess potential mineral development scenarios, based on good data and defensible assumptions. It fails to do that. It is further flawed because it does not consider normal constraints to mineral development. Consequently it inflates the significance of the Peel's mineral resources and could unduly skew planning outcomes in the Peel watershed.

The report is flawed because:

- It presumes that mining can occur anywhere or everywhere in the Peel watershed. In the context of land use planning this is inappropriate because mining interests would thus preclude and trump all other considerations and values.
- It reflects an optimistic and even incautious view of mineral development potential in the Peel watershed – in places it reads like mining trade show hype. It is thin on important details and economic realities. It puffs up deposits and accepts on faith that their development is inevitable.
- It does not present believable development scenarios informed both by constraints and opportunities. Technological changes could enhance production and allow development of large low-grade deposits. But increased costs - fuel, transportation, labour, etc. – could negatively affect the viability of mining projects by driving up development costs . Technological improvements are facts of life; so too are increased production costs.
- It ignores economic reality - historically mineral prices trend downwardⁱ. Lower mineral prices and higher production costs at least partially offset gains from technology.
- It does not indicate how high mineral prices would need to go or how much public subsidy would be needed to make any mineral properties in the Peel watershed viable.
- It fails to consider the cyclic realities of markets. It notes that Asian demand for minerals has helped drive recent mineral prices higher, and then states: "It is reasonable to believe, as the Chinese and other Asian economies continue to develop rapidly, that commodity prices will continue to show strength in the coming years." We contend it is equally reasonable to expect Asian growth to flatten causing commodity prices to fall.
- It seems to assume assured Yukon access to the Asian market. On the contrary we contend the Yukon has no clear advantage in penetrating the highly competitive Asian market, and every mineral-producing region in the world is trying to do the same.

Example: Crest Iron

The report retails the dogma "Given the importance of this resource, it is not a question of *if* the Crest deposit will be developed, but rather a question of *when* the deposit will be developed." Does this faith-based statement mean that Gartner Lee simply assumed that Crest development is a foregone conclusion, so there was no need to critically assess it? In our view, this presumption of inevitability is unsupported by evidence. We think such speculation and uncritical acceptance are inappropriate and imprudent in a report of this nature.

Chevron Canada Resources currently owns the Crest Iron Deposit, which was discovered by its parent company in the 1960s. In the mid-1970s it put a lot of thought into developing the deposit. It chose not to for reasons that are not clear. However, this much is known:

- It was concerned with the relatively high phosphorous content of the Crest iron ores
- It proposed selective-mining the low phosphorous segments of the ore body: [*Presumably selectively mining would significantly reduce the volume of iron recovered and therefore bring into question some of the report's assumptions.*]
- It planned to rely heavily on Government subsidies to support operations at the Crest deposit: "In economics the two most critical items are the price of iron ore in Japan *and the amount of support the Canadian government will provide.*" (italics ours)

The report's references to the Crest deposit as "a world class size deposit" and "of national and global importance" are hyperbolic and require several caveats. Yes, the Crest deposit is a large deposit. But is it "world class"? Is Canada a "world class" producer? Some considerations:

- The Crest deposit has **not** been economically viable for almost 40 years.
- North America's iron ore reserve base is relatively small in the global context - about 4% of the world total. By contrast Brazil controls 5.5 times as much; Russia - 4.4 times, Australia - 3.5 times, Ukraine - 2.8 times; and China - 2.1 times.ⁱⁱ
- Thought to contain 2.6 billion tons of iron, the Crest deposit is only one among many in the world, representing about 1% of global iron reserves.ⁱⁱⁱ
- Although the Crest deposit is large, there are many other important iron resources that are much more favoured by geography, climate and infrastructure.

The report also would have us believe that: "progressive reclamation would backfill the pit... thereby restoring the landscape as the mine progresses through the deposit area." This is a gross over-simplification of landscape restoration. There is little likelihood that the wilderness landscape of the Snake River would be acceptably reclaimed and restored. A "world-class size" open-pit iron mine would have a permanent impact on the Peel watershed.

The report notably fails to account for the climate change impacts of mining and processing iron ore and other minerals, mining and burning coal, and transportation to market. Each activity is very fossil fuel-intensive. Bonnet Plume coal was proposed as the energy source for Crest deposit development. Coal burning is a major source of greenhouse gases. Developments of this scale would have major local, regional and national climate change impacts. Given the high priority the Yukon Government claims to place on climate change, that this report does not consider such impacts is a glaring omission.

Our impression? Perhaps due to the influence of the Department of Economic Development, this report appears designed to promote mining investment. It is biased and seems more about rationalizing mineral development than objectively assessing mineral development scenarios. Was it trying to inflate the potential value of mineral resources in the Peel watershed to influence land use decision making? Does the Peel Commission regard the report as an even-handed contribution to land use planning in the watershed? This we don't know.

ⁱ John E. Tilton, "The 3rd Annual Hans Landsberg Memorial Lecture: The Hungry Giant: China and Minerals", Wednesday, December 14, 2005 <http://www.rff.org/events/The-Hungry-Giant-China-and-Minerals.cfm>

ⁱⁱ Jorgenson, J.D., 2006: Mineral Commodity Summaries, January 2006, <http://minerals.usgs.gov/minerals/pubs/mcs/2006/mcs2006.pdf> United States Geological Survey, Reston, VA

ⁱⁱⁱ op. cit.