

**MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION**

- I PREPARED FOR:** Honourable Bill Bennett, Minister of Energy and Mines
- II ISSUE:** Ministry of Energy and Mines Issue of Stop Work Order, Ministry of Environment suspension of permit for South Island Aggregates

III BACKGROUND:

South Island Aggregates (SIA)/Cobble Hill Holdings Ltd. has operated the South Island Aggregates Quarry on Stebbings Road since 2008. The quarry is located in the Cowichan Valley Regional District (CVRD), near Shawnigan Lake. South Island Aggregates has two separate permitted areas – one area is permitted under both the Ministry of Environment (MOE) and Ministry of Energy and Mines (MEM) and can receive contaminated soil (Lot 23), the other is permitted only under MEM and cannot receive contaminated soil (Lot 21). Any soils received at Lot 21 must meet residential land use soil standards.

On July 17, 2015 MEM Statutory Decision Makers approved the Mines Act permit amendment for Lot 23. The amendment allows SIA to receive contaminated soil at this location as authorized under the Environmental Management Act (EMA) permit for Lot 23.

With this amendment the company can continue receiving contaminated soil on the MOE-permitted site as long as they remain in compliance with their permits. Imported soil must meet MOE soil guidelines as set out in the MOE permit.

On January 27, 2017, an order was issued to Cobble Hill Holdings Ltd, South Island Resource Management Ltd, South Island Aggregates Ltd, Michael Kelly, Brian Martin and Martin Block from MOE. In this order, the waste discharge permit was suspended and a Spill Prevention Order issued. Under the order, the parties have 15 business days to provide various plans, reports and adjusted financial security to MOE or the waste discharge permit may be cancelled. The Spill Prevention Order requires leachate collected on site to be removed from the facility, as opposed to treatment and discharge on site.

On February 2, 2017, a Stop Work Order was issued by MEM for failure to comply with an order issued on December 14, 2016, to complete a fence around the property boundary.

IV DISCUSSION:

Related to the Waste Discharge Permit:

- The current cell (consisting of cells 1A, 1B and 1C), containing contaminated soil has been covered with a linear low density polyethylene (LLDPE) liner. The soil cover over the LLDPE liner has not been completed.
- There is contaminated soil on site in the soil management area (temporary storage area). If the waste discharge permit is cancelled, that material will need to be stored in the soil management area indefinitely or removed from site under a soil relocation agreement.
- The waste discharge permit is suspended until MOE receives and approves a closure plan, cost estimate for closure, an adjusted financial security, a contact water management review report and a non-contact water management review report. If these are not received by February 20, 2017, MOE may cancel the waste discharge permit.
- If MOE cancels the waste discharge permit, no further soil contaminated soil cells will be allowed to be constructed unless SIA applies for a new waste discharge permit. Upon cancellation, the MEM permit will need to be amended to reflect that contaminated soil will no longer be allowed to be received, to address contact and non-contact water management and to change references to the waste discharge permit.
- Cancellation of the waste discharge permit does not require the contaminated soil cell to be removed from site. The leachate water from the cell will need to be collected and treated, either on or off site. The Spill Prevention Order currently addresses this issue.
- A reason for decision document has been prepared by MOE if further details on the permit suspension and Spill Prevention Order are required.

Related to the Stop Work Order:

- Prior to receiving their EMA permit to bring in contaminated soils, and the Environmental Appeal Board decision upholding that permit, SIA had on more than one occasion trespassed onto adjacent CVRD property in the course of their quarry operations. In July, 2015 a permit condition was added requiring SIA to construct a “substantial fence” along the property boundary. The purpose of the fence was to help enforce SIA to not trespass any further. The first section was constructed in 2015 along the western boundary closest to the ongoing work and contaminated soil cell. The permit condition allowed SIA until September 1, 2016 to complete the remainder of the fencing.
- The fence was not completed by September 2016. An inspection in October 2016 revealed the fencing was not completed and included an order for completion by December 16, 2016. Marty Block of SIA responded by asking for a delay until March 15, 2017. During a subsequent telephone conversation, Mr. Block and the Senior Mines Inspector agreed on a completion date of January 31, 2017.
- On December 14, 2016 a letter was issued to Mr. Block giving SIA a second extension until January 31, 2017 to complete the fence and that if not completed,

- a Stop Work Order would be issued. When it was observed on February 1, 2017 that the fence was not completed, the Stop Work Order was issued.
- The Stop Work Order is not related to the recent MOE permit suspension.

V KEY MESSAGES:

- A Stop Work Order was issued by MEM on February 1, 2017. This is not related to the suspension of the MOE waste discharge permit, but is instead related to non-compliance with MEM orders issued in 2016.
- The MOE waste discharge permit for the SIA site has been suspended and may be cancelled if requested items are not received by MOE by February 20, 2017. Cancellation of the waste discharge permit will prevent importation of contaminated soils and construction of further contaminated soil cells.
- The Ministry of Energy and Mines permit for the site remains active and if the waste discharge permit is cancelled, the permit will be amended to remove references to the waste discharge permit, the importation of contaminated soils and some sections related to water management issues.
- Cancellation of the waste discharge permit does not mean that the contaminated soil cell needs to be removed from the site. Leachate from the cell will need to be collected and treated.

DRAFTED BY:

Jim Dunkley 250-953-4640
David Caughill 250-952-0732

APPROVED BY:

Al Hoffman, Chief Inspector of Mines ✓
Peter Robb, ADM ✓
Elaine McKnight, DM ✓

**MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION**

I PREPARED FOR: Honourable Bill Bennett, Minister of Energy and Mines

II ISSUE: Meeting with Minister of Transportation and Infrastructure Todd Stone and Tumbler Ridge Mayor Don McPherson regarding the CN Rail Line in Tumbler Ridge

III BACKGROUND:

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The CN Tumbler Ridge Subdivision is a critical rail link for transporting coal produced in the Tumbler Ridge region to the main CN line and onward to Asia-Pacific export markets (Figure 1). CN deferred maintenance after the coal mines in the area went into care and maintenance and the line was no longer in use. Mayor McPherson estimates that the Tumbler Ridge Subdivision requires approximately \$23 million in upgrades in order to be functional for use by the area coal industry.

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Between 2013 and 2014, operations at the Brule, Wolverine, Willow Creek and Trend mines were suspended. In September 2016, Conuma Coal Resources Inc. (Conuma) acquired the Brule, Wolverine and Willow Creek mines. The Brule Mine restarted operations in September 2016 and the Wolverine Mine restarted operations in January 2017. Currently, Conuma is the only company with operating coal mines in Northeast BC.

IV DISCUSSION:

In practice, after 2009, CN maintained the Tumbler Ridge Subdivision to sustain coal traffic and provide CN with revenue, but when coal traffic ceased, they no longer maintained the line because they were not receiving revenue from coal rail traffic.

Currently, coal is being transported by truck from the Brule and Wolverine mines to a CN transload facility so it can then be put on rail to reach export ports. Shipping coal by

truck is more expensive than shipping by rail. Updating the Tumbler Ridge Subdivision would eliminate the need for trucks to ship coal and decrease transportation costs for Conuma.

At the beginning of February 2017, CN reached an agreement with Conuma to move forward with improvements that will allow the Tumbler Ridge Subdivision to be put back in service later this year.

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The Ministry of Transportation and Infrastructure's (MoTI) position is that maintenance of the Tumbler Ridge Subdivision is a commercial decision for CN Rail in response to the needs of the marketplace. MoTI does not invest in private rail infrastructure nor does MoTI have a dedicated funding program for private rail infrastructure improvements.

MoTI is undertaking a province-wide Transportation Trade Network Analysis to identify required improvements within the multi-modal network to enhance the efficiency of Canada's Pacific Gateway. The study will assess the interface between road and rail networks along key trade corridors and consider community impacts, based on current and future trade demands, to identify areas for future collaboration.

V KEY MESSAGES:

- We understand that the CN Tumbler Ridge Subdivision is a critical rail link for transporting coal produced in Northeast BC to Asia-Pacific export markets, and is important for the economic well-being of Tumbler Ridge.
- The rail line is private infrastructure and CN Rail is responsible for its operation and maintenance.
- We are pleased that CN Rail has reached an agreement with Conuma Coal to move forward with improvements that will allow the line to be put back in service later this year.

PREPARED BY:

Jon Kittmer
250-952-0516

REVIEWED BY:

Peter Wijtkamp ✓
Amy Avila, Ex. Dir. ✓
Peter Robb, ADM ✓
Elaine McKnight, DM✓

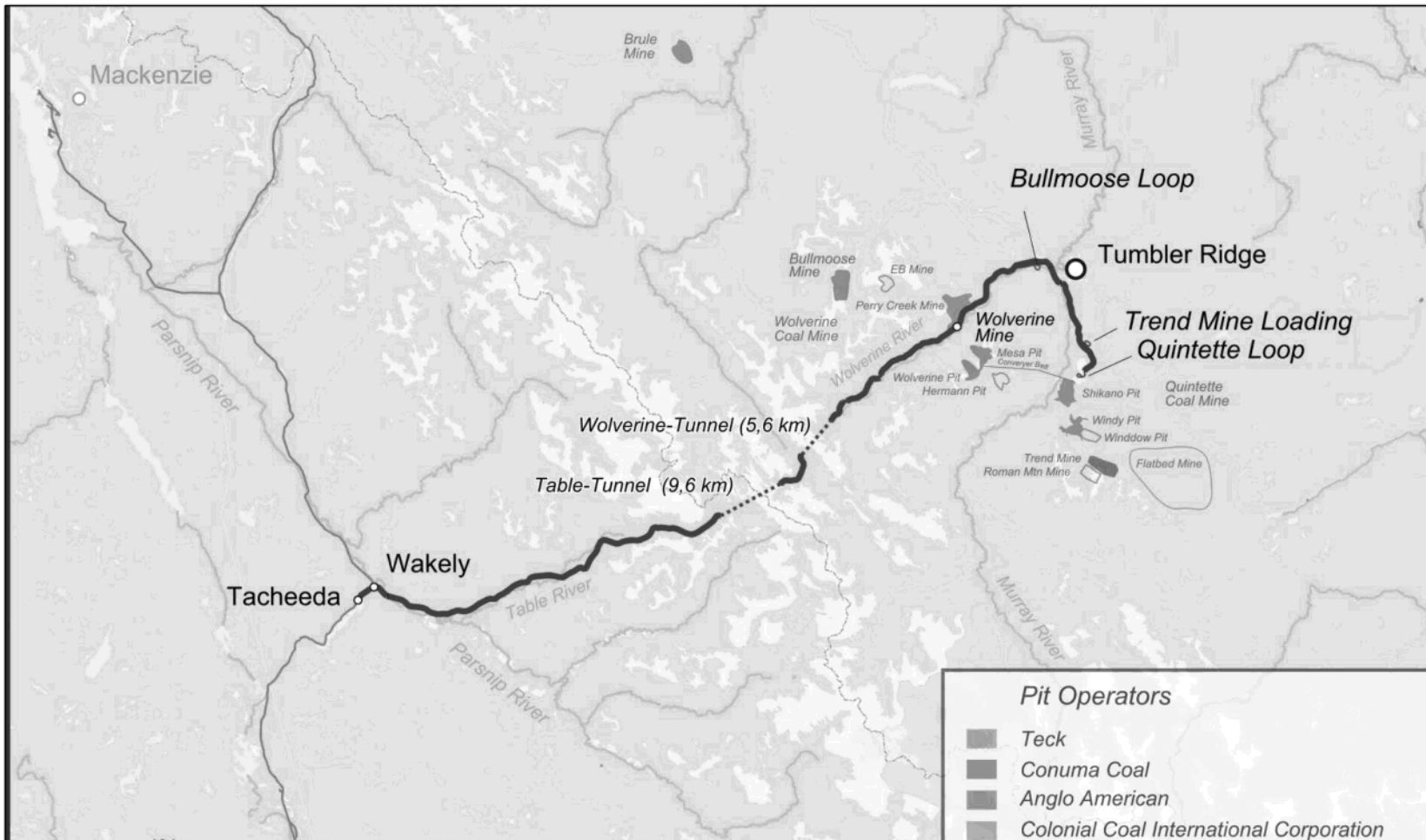


Figure 1. Map of the Tumbler Ridge Subdivision and area coal mines.

MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Shirley Bond, Minister of Jobs, Tourism and Skills Training
- II ISSUE:** Minister's meeting with representatives of the International Union of Operating Engineers (IUOE)

III BACKGROUND:

Site C is being built with a managed open site labour model. BC Hydro's managed open site labour model for the project is inclusive and allows for access to the largest pool of skilled and experienced labour. It does so by allowing all qualified contractors, regardless of union affiliation or status, to participate in the construction of the project. The British Columbia Building Trades, including the IUOE, advocated for a site-wide project labour agreement, and were displeased with BC Hydro's managed open site labour model. The IUOE Local 115 is one of the ten unions affiliated with the British Columbia Building Trades and will be working on the installation of turbines and generators.

BC Hydro's main civil works contractor for Site C is Peace River Hydro Partners (PRHP), whose workforce is currently represented by the Christian Labour Association of Canada (CLAC).

IV DISCUSSION:

IUOE request for access to Site C project site:

- On December 22, 2016, the IUOE Local 115 filed the application before the Labour Relations Board (LRB) requesting an order to require PRHP to grant them access to the Site C project site for the purpose of organizing. This included a request for a room at the worker lodge for information meetings, as well as lodging for two union representatives.
- An LRB hearing on the matter was held on Thursday, January 19, 2017.
- On January 25, the LRB made a decision to grant the IUOE Local 115 access to the Site C project site (specifically the camp) for the purpose of organizing.
- BC Hydro has also granted access to CLAC under the same conditions for access as the IUOE, as outlined in the LRB Decision.

Union "raiding" activities:

- Under the British Columbia Labour Relations Code, raiding applications to displace an existing union can only be filed in the seventh and eighth month of each collective agreement year, also referred to as the "raiding period" or the "open period". In British Columbia, these periods occur every year.

- A raiding campaign usually takes place prior to and/or during the “open period”. However, the application must be filed during the applicable raiding period. For PRHP, this period is from February 20th – April 20th.
- The IUOE must file an application at the LRB and present the LRB with evidence of membership support (membership cards) to show that it has majority support among the affected workers, to displace CLAC as the bargaining representative for PRHP employees.
- If they are successful in attaining the requisite membership support (50% of the affected workers), and this support is confirmed by the LRB, the LRB will order a secret-ballot vote.

British Columbia Labour Relations Board Decision:

- BC Hydro was granted interested party status at the LRB because any decision made on union access would have a direct and material effect on BC Hydro, as owner of the Site C project.
- The British Columbia LRB has decided that conditional access should be granted to the ATCO Two Rivers Lodge for the IUOE Local 115 to discuss union representation with employees of PRHP.
- This access is specific to the camp, and does not extend to the construction site.
- BC Hydro has granted access to CLAC under the same conditions as the IUOE, as outlined in the LRB Decision.

BC Hydro’s Response to the LRB Decision:

- BC Hydro respects the decisions and practices of the British Columbia LRB and takes no position as to whether the IUOE should have been granted access to employees for the purposes of raiding.
- BC Hydro's concerns are with respect to site safety, security, worker productivity, and the protection of privacy interests of employees who reside in camp.
- BC Hydro and its contractors will continue to maintain and enforce their comprehensive safety and security protocols to ensure a safe, secure, orderly and non-confrontational work and camp environment.

Site C Labour Model:

- Site C is being built with a managed open site labour model.
- The managed open site model is inclusive, and allows for access to the largest pool of skilled and experienced labour by allowing all qualified contractors, regardless of union affiliation or union status, to participate on the project, while maintaining their existing bargaining relationships.
- It helps ensure the project is delivered in a way that is cost-effective for ratepayers and taxpayers. It also allows contractors choice as to how the work will be carried out.
- The model supports BC Hydro’s procurement strategy with respect to providing First Nations with economic opportunities to accommodate their interests. First Nations companies that are working on site are able to choose their own labour affiliation, if any.

- An open site model is not new. It is commonly used and is an effective model for delivering labour on large projects in British Columbia.
 - This model has been used successfully on Olympic venues, the Port Mann/Highway 1 Project, Canada Line, Sea-to-Sky Highway and BC Hydro projects — including the Ruskin Dam and Powerhouse Upgrade and the Interior to Lower Mainland Transmission Project.
- To date, unions that have participated, or are currently participating in the construction of Site C include:
 - Construction Maintenance and Allied Workers (CMAW);
 - Christian Labour Association of Canada (CLAC Local 68);
 - Canada West Construction Union (CWU);
 - Pile Drivers 2402;
 - International Union of Operating Engineers (IUOE Local 115);
 - Teamsters Local 213; and
 - in addition, the IUOE are one of the ten unions affiliated with the British Columbia Building Trades that will be working on the installation of the turbines and generators.
- With an open site labour model, there may be changes in union representation over the duration of the project.
- To date there has been some success by unions to organize non-union workers; however, it has not disrupted construction.

Jobs for British Columbia:

- BC Hydro's priority is to ensure that British Columbians are first in line to work on the Site C project.
- It is one of the reasons that Site C is being built with a managed open site model, so that the project and its contractors have access to the broadest possible pool of workers from across the Province.
- While contractors will be responsible for hiring their own workers, BC Hydro expects that contractors will recruit locally and regionally first, then nationally.

V CONCLUSION:

Key Messages:

- BC Hydro respects the decisions and practices of the British Columbia LRB.
- BC Hydro will continue to respect site safety, security, worker productivity, and the protection of privacy interests of employees who reside in camp.
- The Site C project site is an active construction area. BC Hydro has comprehensive safety and security protocols to ensure a safe, secure and productive work environment.
- BC Hydro and its contractors will continue to maintain and enforce their comprehensive safety and security protocols to ensure a safe, secure, orderly and non-confrontational work and camp environment.

Supporting Points:

- BC Hydro's managed open site labour model for Site C is inclusive and allows for access to the largest pool of skilled and experienced labour. It does so by allowing all qualified contractors, regardless of union affiliation or status, to participate in the construction of the project.
- BC Hydro respects employees' rights to make a free choice about which union will represent them, and whether they want to participate in their unions' activities.

DRAFTED BY:

Alan Barber, TIB, EAED
250-387-5093

APPROVED BY:

Les MacLaren, ADM, EAED ✓
Elaine McKnight, DM ✓__

MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Bill Bennett, Minister of Energy and Mines

II ISSUE: Meeting with Association of Consulting Engineering Companies - British Columbia

III BACKGROUND:

The Association of Consulting Engineering Companies British Columbia, (ACEC-BC) is BC's provincial association of engineering consulting firms. ACEC-BC represents 90 of BC's consulting engineering companies that provide engineering and other technology-based intellectual services to the public and private sectors.

ACEC-BC's member firms employ over 9,900 people in BC comprised of a workforce of engineers, geoscientists, technicians, technologists and other support staff. The consulting engineering business contributes approximately \$3.6 billion in annual revenue to the BC economy.

ACEC-BC has sought a meeting with Minister Bennett to discuss its support of resource projects (including the Site C Clean Energy Project) and to explore ways to mutually encourage strong public support for mining and energy projects.

IV DISCUSSION:

ACEC- BC Objectives

Key objectives of ACEC-BC are to publicly support engineering projects (e.g., Site C, LNG, mining and transportation), to provide a positive perspective on these projects, and to promote the consulting engineering business. ACEC-BC has focused on efforts to become more involved with government and to increase its visibility in the media.

The ACEC-BC has aimed to increase awareness of the consulting industry by issuing media releases and opinion editorials on a number of topics, including the presentation of its position paper that made recommendations on corporate practice to the Association of Professional Engineers and Geoscientists of BC (APEGBC), as well as numerous articles supporting the Site C Project.

ACEC-BC and Mining

ACEC-BC established a mining subcommittee in 2014 that has engaged with mining industry groups including the Association of Mineral Exploration and the Mining Association of BC to identify issues, and provide input on best practices, mining standards and fair procurement practices.

The ACEC-BC executive has met with APEGBC following the Mount Polley reports to discuss the use of terms such as “Best Practices” and “Best Available Technologies” from the legal perspective. ACEC-BC also made recommendations on the regulation of organizations to the APEGBC Task Force on Corporate Practice.

Site C

ACEC-BC has voiced support of the Site C project. In media releases and editorials, the association has indicated Site C is needed to meet future electricity demands and that the consulting engineering industry plays a key role in the planning, design, construction and maintenance of public infrastructure. The association has made a formal submission in support of Site C to the joint review panel that reviewed the environmental assessment application filed by BC Hydro, and made a presentation at one of the public hearings.

Legislative Interests

ACEC-BC has identified other legislative interests that relate to broader government programs and initiatives including infrastructure investments, labour market supply challenges (e.g. immigration programs and increasing spaces for engineering students), and a road pricing “user pay system” (see attachment #2).

V KEY MESSAGES:

- The Province views natural resource development as a key economic driver in BC.
- The Province recognizes the important role that consulting engineers play in development of infrastructure and resource projects in BC.

PREPARED BY:

Stefan Colantonio
250-361-6829

REVIEWED BY:

Peter Wijtkamp, Director√
Chris Trumpy, ED√
Elaine McKnight, DM√

Attachments: 1. ACEC-BC Executive Overview
2. ACEC-BC Infographic and Legislative Interests

**MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION**

I PREPARED FOR: Honourable Bill Bennett, Minister of Energy and Mines

II ISSUE: Mining reclamation security report from Ernst & Young

III BACKGROUND:

In its 2016 audit report on compliance and enforcement in BC's mining sector, the Office of the Auditor General (OAG) reviewed BC's current reclamation security program and made recommendations to improve the program.

The OAG report stated that the Ministry of Energy and Mines (MEM) is not holding an adequate amount of security to cover the estimated environmental liabilities at major mines. The OAG recommended that government safeguard taxpayers by ensuring the reclamation liability estimate is accurate and that the security held by government is sufficient to cover potential costs.

Lack of clear policy and insufficient security has been raised in several recent Auditor General reports across the country (Ontario 2015, Alberta 2015, Nova Scotia 2014). This is an evolving area of policy development.

IV DISCUSSION:

Work to address the OAG recommendation is underway.

The Ministry of Energy and Mines and Ministry of Finance (Risk Management Branch), commissioned Ernst and Young, a leading auditing firm with experience and knowledge of the mining industry worldwide, to undertake an in-depth examination of reclamation securities practice. The Ernst and Young report is attached and outlines a risk management framework for mine security based on a review of other jurisdictions and engagement with government staff, industry and First Nations (a full engagement list is included in the attached report at Appendix A: Interview List of the report).

The EY report found that MEM has a carefully-considered and systematic financial security approach for mine reclamation that includes elements of a risk-based approach and is tailored to the context of mining in BC. EY's overall recommendation is for MEM to formalize its risk management framework for mine security.

V CONCLUSION:

The attached report is intended to be released as part of a number of key oversight measures for the mining sector.

PREPARED BY:

Brad Cox
250-952-0789

REVIEWED BY:

Nathaniel Amann-Blake, A/ADM✓
Peter Robb, ADM✓
Elaine McKnight, DM✓

**MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION**

I PREPARED FOR: Honourable Bill Bennett, Minister of Energy and Mines

II ISSUE: Minister Bennett meeting with representatives from Polaris Materials Corporation, Ken Palko Chief Executive Officer and Scott Dryden Vice President, Operations

III BACKGROUND:

Polaris Materials Corporation, owns and operates two subsidiaries in British Columbia:

1. Orca Sand and Gravel Ltd.: a major aggregate mine 4.5 km west of Port McNeil, the company has an 88% share in the mine, with 12% owned by the Namgis First Nation. The current mine site covers an area of approximately 350 ha. Production ranges between 4 and 6 million tonnes per year. Product is exported by ship and barge to markets on the west coast, primarily in California.
2. Eagle Rock Materials Ltd: owns a permitted granite resource located near Port Alberni, which the company has stated “expects to develop in the future when market conditions allow.” Polaris owns 70%, of the project while the 30% minority interest is divided between the Hupacasath First Nation, the Ucluelet First Nation and a trust pending a decision by Tseshah First Nation.

Orca Sand and Gravel Ltd.

Orca Sand and Gravel Ltd (Orca) is applying for an amendment to their Environmental Assessment Certificate to allow for a quarry in order to increase the coarse fraction in their product. The proposed quarry is about 5 km south of the main mine site. Currently the ratio of sand to gravel is increasing and their market is primarily gravel.

The mine is a major employer on the North Island. 50% of all employees are First Nations; all employees are local.

Eagle Rock Materials Ltd

According to information received from the Ministry of Forests, Lands and Natural Resource Operations (FLNRO) on November 1, 2005, Eagle Rock Materials Ltd. (ERM) entered into a 50 year lease agreement with the province to develop a high quality crushed rock quarry on Alberni Inlet.

FLNRO has identified that the royalty structure of the agreement was crafted in a manner which secures annual royalty income from ERM in the event of delayed/postponed development of a producing quarry.

The company has not developed the quarry, and has failed to remit royalty payments which, according to FLNRO, were required to commence in 2012 (a grace/start up period was allowed from 2005 to 2011). s.17,s.21

Further information is included in the attached “Early Warning Note” from FLNRO.

Mr. Dryden has corresponded with Ministry of Energy and Mines (MEM) staff and identified that from the company’s perspective they believed FLNRO to be in agreement with their position outlined in their May 2015 letter (attached). The letter outlined Polaris’ longstanding position that only royalties on “actual production” should be applied, an understanding stemming from a number of factors including correspondence with Land and WaterBC in 2005.

The company has stated, they did not hear back from FLNRO until receiving a letter in December 2016 demanding the royalty fees be paid by February 27, 2016. (Letters attached).

IV DISCUSSION:

Orca

Orca planned to submit, in September, an amendment application to the Environmental Assessment Office (EAO) and a corresponding application to MEM. They are looking for a decision by the end of October. They have been told by both the Major Mines Permitting Office and EAO that to meet an October deadline they need to get their applications in by early summer at the latest.

The proposed quarry is relatively small at 10 ha. There is already forestry road access to the site. There does not appear to be any significant environmental or safety issues with the proposed location. Proposed production is 250,000 tonnes per year over a 10 year period.

As a stand-alone quarry, this would generally be a straight-forward permit application. It is expected that MEM would permit this separately from the main Orca site due to its being a quarry and not adjacent to the main site. Permitting would likely be through the SW Regional office.

Orca appears to have local as well as First Nation’s support for this proposal.

ERM

The authority regarding royalty payments rests under the *Land Act*^{s.14}

s.14

FLNRO has identified that royalty obligations are most often tied to the start of production, but in this case they identified that ERM Ltd. fully signed and executed a tenure agreement which obligates them to pay royalties annually after starting at year 6 of the tenure.

Polaris believes that FLNRO has erred in their requests for royalty fees and are under the assumption this is just an administrative error.

MEM does not have jurisdiction over this matter; however Mr. Dryden is seeking assistance from MEM in helping to resolve it. Polaris would like the Minister's assistance to clear this matter up prior to proceeding on the amendment to the Orca project.

V CONCLUSION:

Pending the outcome of the royalty payments issue Orca is planning to apply for a quarry permit to supplement their existing operations. For MEM, this would result in a separate permit similar to other quarry permits in the area.

While the jurisdiction on royalty fees lies with FLNRO and MEM will follow up with FLNRO following this meeting

PREPARED BY:

Jim Dunkley
250.714.5537

REVIEWED BY:

Julie Chace ✓
Nathaniel Amann-Blake, A/ADM ✓
Elaine McKnight, DM✓