

EDRMS CM: RE: Bonding Requirements in Mandate Letter

From: Jardine, Kevin ENV:EX
s.15
To: s.22 Nash, Laurel ENV:EX
Sent: November 30, 2020 11:27:41 AM PST
Attachments: image001.png

Thanks for reaching out, s.22 Glad you're doing well.

At this stage we're still trying to figure out the precise scope and timing of the commitment. Once we've a clearer picture of the task before us, I'll be sure to keep you in mind as a possible resource. I'm well aware of your experience in this regard and there's no doubt you'd be a tremendous asset.

Best,
K.

KEVIN JARDINE

Deputy Minister

Ministry of Environment & Climate Change Strategy

Government of British Columbia

MOBILE & TEXT: 250-361-6753



Where ideas work

From: s.22
Sent: November 30, 2020 11:23 AM
To: Jardine, Kevin ENV:EX ; Nash, Laurel ENV:EX
Subject: Bonding Requirements in Mandate Letter

[EXTERNAL] This email came from an external source. Only open attachments or links that you are expecting from a known sender.

Hi Kevin and Laurel

Hope you are keeping well.

Looks like you are going to have an easy transition with Minister Heyman staying on.

With the COVID travel restrictions, I am available to help out with any projects. For example, I noticed in the Minister's mandate letter a commitment to ensure owners of large industrial projects are bonded. I have done work in this area including managing bankruptcies (eg. Pope and Talbot) when I was in Ministry of Forests and reviewing bonding in requirements when I was in Energy and Mines and Environment. If you need someone to review the current requirements across Ministries and how they have been implemented or other help out on this project, let me know.

Thanks

s.22

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RE: Media Request - BiV - Clean-up costs of Neucel Cellulose in Port Alice

From: Corns, Paul GCPE:EX <Paul.1.Corns@gov.bc.ca>
To: Nash, Laurel ENV:EX <Laurel.Nash@gov.bc.ca>, Butterworth, Kevin ENV:EX <Kevin.Butterworth@gov.bc.ca>, Sundberg, Sonya E ENV:EX <Sonya.Sundberg@gov.bc.ca>
Cc: Ronda, Haley ENV:EX <Haley.Ronda@gov.bc.ca>, Mattu, Jamin ENV:EX <Jamin.Mattu@gov.bc.ca>, Karn, David GCPE:EX <David.Karn@gov.bc.ca>, Jardine, Kevin ENV:EX <Kevin.Jardine@gov.bc.ca>
Sent: January 13, 2021 12:28:06 PM PST
Attachments: IN_Neucel Receivership Polluter Pays Mandate Letter Commitment v3.docx
Hi Folks since this is now in a GCPE format we have edited the messages to make them more communications friendly.^{s.13}
s.13

Laurel if you could please give this one last look to approve.

Thanks all,

p

From: Karn, David GCPE:EX

Sent: January 13, 2021 11:52 AM

To: Nash, Laurel ENV:EX

Cc: Ronda, Haley ENV:EX ; Butterworth, Kevin ENV:EX ; Sundberg, Sonya E ENV:EX ; Mattu, Jamin ENV:EX ; Corns, Paul GCPE:EX

Subject: Media Request - BiV - Clean-up costs of Neucel Cellulose in Port Alice

Laurel,

Please find attached an updated Issues Note for your approval for minister's interview today.

Reporter

Nelson Bennett, Business in Vancouver

nbennett@biv.com

: 604-753-9431

Deadline Friday, January 8, 2021 4:00 PM

Request

I ran across something in Insolvency Insider recently that piqued my interest: the bankruptcy of the Neucel Speciality Cellulose mill in Port Alice.

Looks like the Chinese company that owned it, Fulida Group, just folded its tent and walked away in late 2019,

leaving behind a substantial environmental liability, not to mention more than \$1 million owed to Port Alice in taxes, and about \$17 million in severance to former employees.

I understand that, to date, the province has incurred \$13 million just to manage (I presume that means dispose of) hazardous chemicals.

But a union spokesman I spoke said he thinks it will cost \$200 million to properly clean the site up before it can ever be sold. That sounds like a bit of an exaggeration. But I'm hoping to speak to someone from the ministry just to get a sense of how much this is going to cost taxpayers to clean this site up.

A basic written statement probably isn't going to work for this one because it will be probably be a bit of a deep dive. Although at the very least I'd like to get confirmation on the costs to date and estimated costs of cleanup.

Any chance of speaking to the minister about this at some point?

Recommendation

MGH to do interview at 430pm.

RE: Media Request - BiV - Clean-up costs of Neucel Cellulose in Port Alice

From: Nash, Laurel ENV:EX <Laurel.Nash@gov.bc.ca>
To: Corns, Paul GCPE:EX <Paul.1.Corns@gov.bc.ca>, Butterworth, Kevin ENV:EX <Kevin.Butterworth@gov.bc.ca>, Sundberg, Sonya E ENV:EX <Sonya.Sundberg@gov.bc.ca>
Cc: Ronda, Haley ENV:EX <Haley.Ronda@gov.bc.ca>, Mattu, Jamin ENV:EX <Jamin.Mattu@gov.bc.ca>, Karn, David GCPE:EX <David.Karn@gov.bc.ca>, Jardine, Kevin ENV:EX <Kevin.Jardine@gov.bc.ca>
Sent: January 13, 2021 12:52:33 PM PST
Attachments: IN_Neucel Receivership Polluter Pays Mandate Letter Commitment v3.docx

Thanks Paul

This format seems to work better thank you. I approve this version...and have left the changes highlighted. The number in the earlier version is not currently public information and it would not be appropriate at this time to speak to it.

Let me know if you have any questions.

Laurel Nash

Assistant Deputy Minister

Environmental Protection Division

Ministry of Environment and Climate Change Strategy

(t) 250 953 4004

(m) 250 508 1670

I am grateful to live and work on the beautiful traditional territory of the Lekwungen speaking people and the Songhees, Esquimalt and WSÁNEĆ peoples whose historic relationships with the land and sea continue to this day.

From: Corns, Paul GCPE:EX

Sent: January 13, 2021 12:28 PM

To: Nash, Laurel ENV:EX ; Butterworth, Kevin ENV:EX ; Sundberg, Sonya E ENV:EX

Cc: Ronda, Haley ENV:EX ; Mattu, Jamin ENV:EX ; Karn, David GCPE:EX ; Jardine, Kevin ENV:EX

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Cc: Ronda, Haley ENV:EX <Haley.Ronda@gov.bc.ca>; Butterworth, Kevin ENV:EX <Kevin.Butterworth@gov.bc.ca>; Sundberg, Sonya E ENV:EX <Sonya.Sundberg@gov.bc.ca>; Mattu, Jamin ENV:EX <Jamin.Mattu@gov.bc.ca>; Corns, Paul GCPE:EX <Paul.1.Corns@gov.bc.ca>

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RE: Q&As for bonding mandate project ADM meeting

From: Nash, Laurel ENV:EX
s.15

To: Sundberg, Sonya E ENV:EX

Cc: Zacharias-Homer, Christa ENV:EX, Mattu, Jamin ENV:EX, Ronda, Haley ENV:EX

Sent: January 22, 2021 10:24:55 AM PST

Attachments: 2021 01 22 QAs Bonding Mandate Project ADMMeeting(LN).docx

Hi this looks very good. Thank you.

I have added one comment and a bit to one answer.

Laurel Nash

Assistant Deputy Minister

Environmental Protection Division

Ministry of Environment and Climate Change Strategy

(t) 250 953 4004

(m) 250 508 1670

I am grateful to live and work on the beautiful traditional territory of the Lekwungen speaking people and the Songhees, Esquimalt and WSÁNEĆ peoples whose historic relationships with the land and sea continue to this day.

From: Sundberg, Sonya E ENV:EX <Sonya.Sundberg@gov.bc.ca>

Sent: January 22, 2021 10:04 AM

To: Nash, Laurel ENV:EX <Laurel.Nash@gov.bc.ca>

Cc: Zacharias-Homer, Christa ENV:EX <Christa.ZachariasHomer@gov.bc.ca>; Mattu, Jamin ENV:EX <Jamin.Mattu@gov.bc.ca>; Ronda, Haley ENV:EX <Haley.Ronda@gov.bc.ca>

Subject: Q&As for bonding mandate project ADM meeting

Importance: High

Hi Laurel,

As discussed, back pocket QA's for our 3pm ADM meeting today on the bonding mandate. Thanks to Christa for bringing these together. If you have any questions, please let me know.

Sonya

Bonding and Polluter Pays working group

From: Nash, Laurel ENV:EX
s.15

To: McGuire, Jennifer AGRI:EX

Cc: Sundberg, Sonya E ENV:EX, Zacharias-Homer, Christa ENV:EX, Mattu, Jamin ENV:EX

Sent: January 25, 2021 12:55:15 PM PST

Attachments: 2021 01 22 QAs Bonding Mandate Project ADMMeeting(LN).docx, ADM ONLY PPT with speaking notes Bonding Mandate Proj.pptx, Agenda_Meeting_Bonding_Mandate_Proj.docx

Hi Jennifer.

I inadvertently excluded you from a cross agency discussion on Friday...hadn't thought about Aquaculture and Agriculture when pulling people together for a meeting

This note is an offer to set up a briefing with you to go over the project and ask if you wish to be involved, and in what capacity.

We have representatives from FLNR, FIN, ENV, EMLI, CSNR and OGC on the working group.

Let me know.

Thanks!

Laurel Nash

Assistant Deputy Minister

Environmental Protection Division

Ministry of Environment and Climate Change Strategy

(t) 250 953 4004

(m)250 508 1670

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From: Mattu, Jamin ENV:EX <Jamin.Mattu@gov.bc.ca>

Sent: January 25, 2021 12:49 PM

To: Nash, Laurel ENV:EX <Laurel.Nash@gov.bc.ca>

Subject: Bonding materials

-Attached!

FW: Bonding and Polluter Pays working group

From: Nash, Laurel ENV:EX
s.15

To: Corns, Paul GCPE:EX

Cc: Sundberg, Sonya E ENV:EX

Sent: January 26, 2021 8:02:16 AM PST

Attachments: 2021 01 22 QAs Bonding Mandate Project ADMMeeting(LN).docx, ADM ONLY PPT with speaking notes Bonding Mandate Proj.pptx, Agenda_Meeting_Bonding_Mandate_Proj.docx

Hi Paul

As mentioned yesterday here is the material we pulled together for our initial discussion with ADMs.

Laurel Nash

Assistant Deputy Minister

Environmental Protection Division

Ministry of Environment and Climate Change Strategy

(t) 250 953 4004

(m) 250 508 1670

I am grateful to live and work on the beautiful traditional territory of the Lekwungen speaking people and the Songhees, Esquimalt and WSÁNEĆ peoples whose historic relationships with the land and sea continue to this day.

Ministry of Environment and Climate Change Strategy, February 16, 2021

INDUSTRIAL BONDING PROJECT

Key Messages:

- Over time there have been a number of cases where the taxpayers of BC have been responsible for covering the cost of abandoned industrial sites.
- With support from the Minister of Energy, Mines and Low Carbon Innovation, we will take steps to ensure owners of large industrial projects are bonded moving forward so that they – not B.C. taxpayers – pay the full costs of environmental cleanup if their projects are abandoned.
- We will do so in consultation with Indigenous nations, industry, businesses, local governments and the public and others to make sure that policies are effective, and the public is protected.
- An inter-agency working group is being formed to recommend policies that aim to achieve a consistent and economically feasible approach for large industrial projects.
- The group will work collaboratively to develop the project plan, recommend and advise on the project scope and feasible policy options, and support consultations with stakeholders

Background:

- There have been a number of cases where industrial projects have been abandoned, leaving the province responsible for the cost of site closure and remediation (see separate IN on Neucel project).
- The ENV mandate letter contains the following direction: “With support from the Minister of Energy, Mines and Low Carbon Innovation, take steps to ensure owners of large industrial projects are bonded moving forward so that they – not B.C. taxpayers – pay the full costs of environmental cleanup if their projects are abandoned.”

GCPE ENV – CONFIDENTIAL ISSUES NOTE

- Therefore, ENV will be working with other Natural Resource Ministries on policy that will ensure that large industrial projects have financial assurance in place, such as bonding, before potential abandonment.
- An inter-agency working group is being formed with dedicated resources and expertise on legislation that each agency is responsible for. The group will work collaboratively to develop the project plan, recommend and advise on the project scope and feasible policy options, and undertake consultations with stakeholders.
- The working group will examine a range of site scenarios are governed by multiple pieces of legislation such as the *Environmental Management Act*, *Mines Act*, the *Oil and Gas Activities Act*, the *Bonding Act*, and likely the *Land Act* and the *Forest Act*.

- s.13

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Communications Contact: Joanne McGachie
Program Area Contact: Christa Zacharias-Homer

Ministry of Environment and Climate Change Strategy – January 13, 2021

NEUCEL PULP MILL AND POLLUTER PAYS MANDATE **LETTER COMMITMENT**

Key Messages:

- The health and safety of the residents of Port Alice and surrounding Indigenous communities remains the priority during this industrial clean-up operation.
- The 100-year old pulp mill in Port Alice was left vacant by its owner Neucel Specialty Cellulose Ltd., a China-based company (“Neucel”) in February 2019. Since that time the ministry has been addressing the site clean up.
- PricewaterhouseCoopers is now managing that clean-up since its appointment by the courts when the operation went into receivership.
- Over time there have been a number of cases where the taxpayers of BC have been responsible for covering the cost of abandoned industrial sites
- With support from the Minister of Energy, Mines and Low Carbon Innovation, we will now take steps to ensure “... owners of large industrial projects are bonded moving forward so that they – not B.C. taxpayers – pay the full costs of environmental cleanup if their projects are abandoned.”
- We will do so in consultation with Indigenous nations, industry, businesses, local governments and the public and others to make sure that policy is effective and public are protected.

Background:

- In 1918 the Port Alice mill began production as a sulphite mill with an output of 45 tonnes of pulp per day.
- Eighty-six years later in October 2004, Port Alice Specialty Cellulose was declared bankrupt.
- Subsequently Neucel Specialty Cellulose Ltd. purchased the assets (excluding tenured Crown land) in 2005 for \$1 out of bankruptcy proceedings with an investment plan of \$40M before September 1, 2007. There were no other bidders.
- At the time, financial security was sought but refused by the purchaser, and the government accepted the offer in the interests of restarting the mill and employment. The mill was the main employer in the region up to 2015.
- Neucel did not post any financial security for clean up or remediation of the site, and the Province granted the company an indemnity for previous site contamination.
- In February 2011, Neucel Specialty Cellulose Ltd. was purchased by Fulida Canada Holdings Ltd. The parent company is the Fulida Group, a company based in China.
- Since that time the Neucel site has been operating, s.21
- ENV was notified by mill employees in February 2019 that they had been advised by Neucel Management to “turn off electricity and power ... and lock the gate”, and that workers were concerned about imminent risks to the environment.
- At this time Environmental Emergency Response Officers were dispatched and attended the site and ENV began actively undertaking spill response actions at the pulp mill in March 2019 with the assistance of Nucor Environmental Solutions Ltd., a hazardous materials contractor.
- Between March 2019 and April 2020 ENV sent four letters of demand to Neucel for costs associated with the on-going spill response actions at the mill site.
- Subsequently ENV was informed in April 2020 that Fulida and the owner s.22
- s.21
- Hence the Province approached the courts to seek a bankruptcy order and appointment of a receiver to manage the site. This was granted by the courts in April 2020.
- The Receiver, PriceWaterhouseCoopers (PwC) continues to be active at the site mitigating significant risks including environmental and public safety hazards and working towards the decommissioning of the site and sale of assets to recover costs for creditors.
- The ongoing environmental, fiscal, and social uncertainty of the Neucel site continues to impact the Village of Port Alice, the Quatsino FN and disaffected workers from Unifor 514.
- s.17
-
- Although government has a priority as a secured creditor under the bankruptcy proceedings, given the dilapidated state of the site, it is unlikely that the assets on-site will be sufficient to cover the costs incurred.

Next Steps:

- Neucel is a symptom of a wider problem that faces the people of B.C. where taxpayers are ultimately bearing the cost for abandoned industrial sites that have no financial assurance,

such as bonding in place, to pay for site clean-up/stabilization and the mitigation of environmental impacts.

- Therefore the ENV mandate letter contains the following direction: “With support from the Minister of Energy, Mines and Low Carbon Innovation, take steps to ensure owners of large industrial projects are bonded moving forward so that they – not B.C. taxpayers – pay the full costs of environmental cleanup if their projects are abandoned.”
- Therefore, ENV will be working with other Natural Resource Ministries on policy that will ensure that large industrial projects have financial assurance in place, such as bonding, before potential abandonment.
- It is worth noting that a range of site scenarios are governed by multiple pieces of legislation such as the *Environmental Management Act*, *Mines Act*, the *Oil and Gas Activities Act*, the *Bonding Act*, and likely the *Land Act* and the *Forest Act*.
- s.13
-

Timeline of Major Events related to the Neucel Pulp Mill:

- **1918** – The Port Alice mill begins as a sulphite mill producing 45 tonnes of pulp per day.
- **October 2004** – Port Alice Specialty Cellulose goes into bankruptcy
- **December 5, 2005** – Neucel Specialty Cellulose Ltd. (Neucel) purchases the assets of the Port Alice pulp mill for \$1 with an investment plan of \$40M before September 1, 2007. The purchase of the mill by Neucel was conditional on a signed agreement with the Province, wherein the Province agrees to assume certain obligations respecting existing environmental contamination at the Neucel Site and waterways.
- **May 2006** – The mill begins production under the new management.
- **February 2009** – Wellspring Capital Management notifies Neucel on behalf of a consortium of investors that they have limited funds and no additional funds will be available for the mill. The mill is shut down. Most employees are laid off except for security.
- **February 2011** – Fulida Canada Holdings Ltd. (Fulida) purchases Neucel. The parent company is the Fulida Group, a company based in China.
- **Feb 17, 2015** – ENV issues an information Order to Neucel when Neucel announces that they are curtailing operations for 6 months.
- **August 21, 2018** – ENV inspects the Neucel Site, resulting in one Administrative Monetary Penalty (AMP) referral, four warnings and one notice of compliance.

- **February 27, 2019** – Neucel (Director^{s.22} advises the local mill workers to “turn off electricity and power ... and lock the gate”. (Employees however leave power on. Power is operational for majority of the site until the end of the March 2019).
- **March 3, 2019** – ENV hires a hazardous materials contractor, Nucor Environmental Solutions Ltd. (Nucor) who determines the facility to be at imminent risk of failure of one or more systems, which could result in significant environmental impacts and risks to human health and public safety.
- **March 7, 2019** – ENV notifies Neucel that government will act under the spill response provisions of the *EMA* section 91.4(1) and (2) to mitigate risk.
- **May 13, 2019** – Canadian Nuclear Safety Commission (CNSC) awards a contract for the removal of the 8 radio-active devices at the Neucel Site. CNSC go through due process to suspend Neucel’s licence.
- **May 25, 2019** – The RCMP is notified when there is suspicious activity around the exterior gates, and a “sunken” boat is righted and disappears.
- **May 27, 2019** – A detached log boom is reported to Transport Canada.
- **June 20, 2019** – Neucel cancels their registration with WorkSafeBC.
- **Sept 23, 2019** – ENV sends Neucel a Letter of Demand for spill costs from March 2019 to August 15, 2019.
- **Nov 1, 2019** - ENV sends Neucel a second Letter of Demand for spill costs from August 16, 2019 to October 15, 2019.
- **December 11, 2019** – Treasury Board gives instructions to seek bankruptcy and appoint a receiver for the Neucel site.
- **January 18, 2020** – Nucor (on-site contractor for ENV) reports the roof of large HSSL tank has collapsed.
- **February 3, 2020** – ENV DM certifies that the collapsed HSSL tank and SSL lagoon (DGIR #193814) meet the criteria for an environmental emergency and that funding is required under *EMA* section 88(1).
- **February 9, 2020** – ENV sends Neucel a third Letter of Demand for costs for the period October 16, 2019 to December 31, 2019.
- **March 17, 2020** – Province of British Columbia declares a public health emergency in response to the COVID-19 pandemic. The response to the pandemic affects operations across the province including delays in court proceedings.
- **April 7, 2020** – ENV sends Neucel a fourth Letter of Demand for costs for the period January 1, 2020 to January 17, 2020.
- **April 6, 2020** – ^{s.22} responds to ENV’s notice stating that Fulida and owner ^{s.22} are ^{s.21}

- **April 14, 2020** – Bankruptcy and receivership application is heard by the Court and appoints PricewaterhouseCoopers Inc. (PwC) as receiver for the Neucel site.
- **September 1, 2020** - ENV tells the QFN that ENV has secured \$75,000 to support the QFN engagement on the Neucel project.
- **September 11, 2020** – By means of a decision note, DM ENV certifies the Neucel pulp mill meets the criteria for an environmental emergency, as per *EMA*, and that continued funding is required for immediate response under Division 2.1 Section 88(1) until hazardous materials at the Site no longer present an active or imminent risk of spill.
- **September 24, 2020** – PwC reports back to the Court and the Court grants and increase of the maximum borrowing limit to \$17M.
- **Sept – November 2020** – ENV collaborates with the QFN on a Shared Cost Agreement to transfer funding to support QFN capacity to support engagement and communications on activities at the Neucel site.

Communications Contact: Joanne McGachie
Program Area Contact: Kevin Butterworth

NEUCEL PULP MILL AND POLLUTER PAYS MANDATE **LETTER COMMITMENT**

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- The health and safety of the residents of Port Alice and surrounding Indigenous communities remains the priority during this industrial clean-up operation.
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- s.13; s.17
- s.13; s.17

Commented [BKE1]: Laurel – are you comfortable with this bullet?

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GCPE ENV – CONFIDENTIAL ISSUES NOTE

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- **March 7, 2019** – ENV notifies Neucel that government will act under the spill response provisions of the *EMA* section 91.4(1) and (2) to mitigate risk.
- **May 13, 2019** – Canadian Nuclear Safety Commission (CNSC) awards a contract for the removal of the 8 radio-active devices at the Neucel Site. CNSC go through due process to suspend Neucel's licence.
- **May 25, 2019** – The RCMP is notified when there is suspicious activity around the exterior gates, and a "sunken" boat is righted and disappears.
- **May 27, 2019** – A detached log boom is reported to Transport Canada.
- **June 20, 2019** – Neucel cancels their registration with WorkSafeBC.
- **Sept 23, 2019** – ENV sends Neucel a Letter of Demand for spill costs from March 2019 to August 15, 2019.
- **Nov 1, 2019** - ENV sends Neucel a second Letter of Demand for spill costs from August 16, 2019 to October 15, 2019.
- **December 11, 2019** – Treasury Board gives instructions to seek bankruptcy and appoint a receiver for the Neucel site.
- **January 18, 2020** – Nucor (on-site contractor for ENV) reports the roof of large HSSL tank has collapsed.
- **February 3, 2020** – ENV DM certifies that the collapsed HSSL tank and SSL lagoon (DGIR #193814) meet the criteria for an environmental emergency and that funding is required under *EMA* section 88(1).
- **February 9, 2020** – ENV sends Neucel a third Letter of Demand for costs for the period October 16, 2019 to December 31, 2019.
- **March 17, 2020** – Province of British Columbia declares a public health emergency in response to the COVID-19 pandemic. The response to the pandemic affects operations across the province including delays in court proceedings.
- **April 7, 2020** – ENV sends Neucel a fourth Letter of Demand for costs for the period January 1, 2020 to January 17, 2020.
- **April 6, 2020 – s.22** responds to ENV's notice stating that Fulida and owner s.22 are s.21
- **April 14, 2020** – Bankruptcy and receivership application is heard by the Court and appoints PricewaterhouseCoopers Inc. (PwC) as receiver for the Neucel site.

GCPE ENV – CONFIDENTIAL ISSUES NOTE

- **September 1, 2020** - ENV tells the QFN that ENV has secured \$75,000 to support the QFN engagement on the Neucel project.
- **September 11, 2020** – By means of a decision note, DM ENV certifies the Neucel pulp mill meets the criteria for an environmental emergency, as per *EMA*, and that continued funding is required for immediate response under Division 2.1 Section 88(1) until hazardous materials at the Site no longer present an active or imminent risk of spill.
- **September 24, 2020** – PwC reports back to the Court and the Court grants and increase of the maximum borrowing limit to \$17M.
- **Sept – November 2020** – ENV collaborates with the QFN on a Shared Cost Agreement to transfer funding to support QFN capacity to support engagement and communications on activities at the Neucel site.

Communications Contact: Joanne McGachie
Program Area Contact: Kevin Butterworth