

Policy Tools for Indigenous Governments for Exploration and Mining

Ginger Gibson, The Firelight Group Research Cooperative ginger.gibson@thefirelightgroup.com

Larry Innes, Canadian Boreal Initiative <u>larry.innes@gmail.com</u>

This workshop provides information on three tools for managing exploration and mining development in traditional lands.

- 1) **Exploration Agreement Elements.** Elements for early and effective agreements with developers at the exploration stage of the mineral development life cycle. We outline the core elements of many exploration agreements, so Nations can negotiate deals that bring benefits and certainty at the earliest possible stage of project development.
- 2) **Consultation Policy Elements.** A summary of key elements of existing consultation policies developed by three First Nations is used to illustrate common elements of such policies, so that Nations can develop their own culture-group specific policies building on the strengths of others.
- 3) **Referrals Screening Prioritization Tool.** A simple tool meant for First Nations lands departments, to assist them in prioritizing which referrals and applications in traditional lands they should prioritize focusing resources on.

Given time constraints, this workshop will consider only Exploration Agreements in more detail. Discussion papers are provided on the other two tools, and the Wednesday workshop on IBA sessions will consider other tools.

Breakout groups and plenary discussion will focus on:

- Key elements of Exploration Agreements.
- Challenges and opportunities associated with negotiating and implementing Exploration Agreements.
- Factors that need to be in place to ensure that Exploration Agreements are negotiated early and honored properly.
- Timing for negotiation of Exploration Agreements.



Tool 1: Exploration Agreements

An exploration agreement is like an Impact Benefit Agreement (IBA), except it is for the early, exploration stages of the mine life cycle only and therefore likely to be smaller in scale and issues scope. Given uncertainties about the amount of work to be done on the ground (largely dependent on availability of exploration funding to the company and positive early exploration results), the comparatively low number of jobs and expenditure involved, and the lack of certainty about future revenue generation from the property or properties, these agreements are usually shorter in length and provide less financial benefit to communities than later stage IBAs. However, they are better than having no set relationship at all between the nation and the developer. Exploration agreements help set the ground rules for work on traditional lands, the expectations for relations between the parties, and can provide additional revenue to the community from exploration activities in the region. They are different from Memorandums of Understanding, in that they set out many more terms and are not typically only about the relationship between the parties.

Potential Terms and Conditions of Exploration Agreements

Exploration agreements can include items on:

- Establishing standards for employment, procurement and workplace conditions, including:
 - Adopting corporate policies and standards for sub-contractors that contribute to a positive and supportive workplace for FNs at the site;
 - o Preferential hiring of FN members for exploration work or support services
 - o Preferential notification of upcoming jobs to FN
 - Provision of financial, in kind, and other support for education and training initiatives to enable FN members to qualify for employment during the exploration phase;
 - Corporate policy requiring contractors to adhere to preferential FN hiring, procurement and workplace policies;
 - o Preferential procurement of goods and services from FN businesses
 - Ongoing monitoring and reporting on FN hiring, procurement and workplace conditions.
- Setting up of agreed upon communication and consultation protocols between the company and the community, including Chief and Council and other agencies;
- Ensuring **meaningful input into project design**, potentially including:
 - FN review of any permits, applications and regulatory documents and/or other project-related regulatory submissions in advance of submission by the company;
 - o Funding for the FN to retain experts to review project information, including engineering, environmental and financial information;



- o Provisions for funding of TK/TUS studies in the study area by the FN
- o Provisions for input from area land users into project design
- O Provisions identifying project milestones (e.g., a positive feasibility study) where additional funds for social, cultural and traditional use baseline studies and impact assessments would be provided or negotiated;
- Establishing standards for the company and any subcontractors for environmental and cultural protection, including:
 - Establishment of site-specific standards and mitigation measures in the company's environmental policies and procedures, including emergency response and reclamation plans, as well as providing security for costs in the event that the company is unable to fulfill reclamation or emergency response commitments;
 - Funding and implementation of community-based monitoring systems, including access to the project site by community monitors;
 - Requirements for surveys or other work to identify areas of cultural and/or habitat and harvesting importance or sensitivity, and imposition of additional mitigation measures for these areas (sometimes called "Areas of Cultural Concern")
 - Corporate support for FN initiatives related to cumulative effects or other lands protection initiatives (e.g., through written support for policy submissions to government; proposals to funding agencies; in-kind or financial support)
- Provisions for **harvester compensation** for impacts caused by development activities, or at least identification of harvester compensation determination mechanisms;
- Provision of funding to cover costs associated with negotiating the exploration agreement, including legal costs;
- Development of a **staged timeline for consultation** within the community, and provision of funds to cover costs of consultation during exploration and prior to development;
- Providing supports to the nation on Free, Prior, and Informed Consent, in relation to the United Nation Declaration on Indigenous Peoples.¹

Financial terms and conditions options

The following table identifies some of the financial formula options that could be used to ensure the First Nation is compensated for exploration work on its traditional lands. Note that actual dollar amounts vary widely in relation to factors such as the size of the project and its known prospectivity (potential for a viable, rich deposit), environmental conditions, proximity to core First Nation

¹ For example, a company may state in the agreement that they support the full implementation of this declaration as it relates to Nation.



interests, First Nation vs. developer leverage, among others. Any numbers used below are for illustrative purposes only and are not suggested to reflect good practice for actual negotiated outcomes.



Optional	Example/explanation	Lean towards this option if	Lean away from this	Pros and cons for
terms			option if	companies
One time fixed payment	-e.g., Company X pays \$Y to nation as a condition of consent to conduct exploration in traditional territory -Can be arbitrary (size of exploration program doesn't matter) or based on a formula related to size of claims or location's cultural/harvesting values -can also be identified as a required cost to administer nation engagement on the file	-administration of more complex formulas would be a burden -it is combined with some other financial compensation as noted below (e.g., a one time fixed payment plus annual payment per metres drilled)	- nation has the ability to implement and ensure compliance with more detailed terms and conditions noted below -The project is deemed to be highly prospective (rich in minerals) and the exploration upside is high -choosing it may close off opportunities to get potentially higher revenues from "development-linked" terms and conditions listed below	-Large companies would feel no pain from this -depending on stock market conditions, small cash-poor exploration juniors may not be able to come up with the required sum
Annual fixed payment during exploration life span	-e.g., \$Z payment per year during life of exploration by Company X	-want ease of administration - nation wants to be compensated on an annual rather than one time basis, during the life of the exploration program -want more continual flow of funds, rather than lump -if a project extends for several years, likely will generate more funds than a single lump sum	-choosing it may close off opportunities to get potentially higher revenues from "development-linked" terms and conditions listed below	-Again, large company = no problem, although more admin. issues than lump sum -may be easier for small junior to pay "instalments"



Optional terms	Example/explanation	Lean towards this option if	Lean away from this option if	Pros and cons for companies
Cash per metre of exploration drilling	-Similar concept to "royalty based on output" for mining IBAs	-want to have a simple, easily gathered, method for calculating monies owed that is a rough reflection of activity and impact level on the land -want revenues to increase as project is getting "firmed up" for feasibility	-there are other exploration activities (e.g., geomagnetic surveys, bulk sampling) that are a large portion of the costs of exploration that would go uncompensated for with this formula -the project is likely to have a complex feasibility stage when non-drilling (e.g., bulk sampling) is a major cost component -the project is a "brownfield" development with strong existing drilling record	-Companies may like this because amount of drilling is usually linked to degree of project potential; drilling = delineation; as project become more established and chance of a 'minefind' increases, cash flows easier to the project from the market
% of cash flow from exploration activities	-2% is a number mentioned in some exploration agreements (e.g., if company X spends \$500,000 in a given year on exploration, 2% = \$10,000 -Similar concept to "royalty based on value of production" for mining IBAs -what constitutes "exploration expenditures" and what are acceptable uses of funds may need to be negotiated (see note below on potential issues with restricted uses for funds)	-want to access a portion of ALL exploration-related expenditures of the company -may proved increasingly valuable as exploration moves into advanced stages: e.g., prefeasibility and feasibility, with additional infrastructure requirements and associated higher capital and operations costs -more reflective of higher intensity of activity on the land and higher impact potential during more advanced exploration	-it proves difficult to accurately estimate/keep track of total exploration expenditures -greater amount of diligence required and potential for contrary opinions on what constitutes relevant "exploration expenditures" (e.g., capital investments vs. operations costs; are wages included; what about access road costs?) -creates higher potential for continual disagreement with the developer	-harder to track what is and what isn't an acceptable expenditure; could lead to administrative costs and higher potential for disagreement between the parties -downside is that exploration costs increase exponentially during mineral deposit appraisal steps, requiring greater cash payments



Optional	Example/explanation	Lean towards this option if	Lean away from this	Pros and cons for
terms			option if	companies
% equity	-typically, the corporation	-the community has no need for	-the community is unwilling	-Larger companies
interest in	provides stocks or stock	short term cash flows and a high	to tolerate risk, as the future	may be less likely to
the	options exercisable in the	risk tolerance and desire to	value of exploration stocks	desire floating more
company	future to the FN; may be	diversify its investment portfolio	are hard to predict and could	stock but options to
	immediate or exercisable at a	-the company's share values are	decline.	purchase stock at a
	later date; may be a free	expected to remain valuable (an	-company is an unknown	fixed price may be
	transfer ("a carried interest")	intermediate or senior company	junior (failure rate high;	available.
	or have a buy-in cost to the	with operating mines elsewhere)	stocks could become	-small companies
	FN	-the stock options are offered at a	worthless)	are often reliant on
	-e.g., Company X issues	price predicted to be a bargain	-the community prefers	floating more stock
	100,000 Common Share	-the community has available	immediate cash flow to long-	and more willing to
	Purchase Options to the FN,	funds to invest	term growth potential, or has	do so to provide an
	exercisable any time over the		no funds to invest (in the	equity interest,
	next five years at the set price		case of buy-in system)	although it can
	of \$0.20 a share		-the community is or may be	dampen their share
	-e.g., Nunavut Resources		opposed to mine	values and lower
	Corporation is a Kitikmeot-led		development in the area	investor interest
	initiative to get a higher direct		(don't want to be an equity	
	equity stake for Nunavummiut		owner of a project the	
			community may oppose)	
% interest in	-payment only comes if a mine	-there is a strong possibility that	-it is deemed premature to be	-Companies may
future	is actually developed	the project will be successful and	entering "IBA-level"	already have NSR
revenues or	-could be a % interest on value	become an operating mine	negotiations	owing to third
profit from	of production or profit (two	(otherwise no funds may be	-you feel that entering into a	parties and may not
the	different things)	payable to the FN). Note that	forward looking agreement	be able or willing to
operation	-Similar to a Net Smelter	this will be difficult for a Nation	now may impact on IBA	further dilute their
(rare in an	Return (NSR) or other "royalty	to determine independently.	negotiations leverage in the	long-term profit
exploration	based on profits" or "value of	-there is a significant % interest	future (need to ensure that	potential or value to
agreement)	production" for mining IBAs	on the table that would be	agreement does not imply	a larger firm willing
	-e.g., a 1% royalty on value of	unlikely to be beat during future	consent or support at later	to buy them out
	production would generate \$1	IBA negotiations	stages)	-small companies
	million per annum on gross	-FN is willing to take on short	-the community is or may be	may be more



Optional terms	Example/explanation	Lean towards this option if	Lean away from this option if	Pros and cons for companies
	revenues of \$100 million -e.g., a 2% royalty would provide \$400,000 per annum on profits of \$20 million	term lack of funds in exchange for potentially high long-term upside	opposed to mine development in the area (don't want to be part owner of a project you may oppose!) -no benefits if the project is one of the high % that never produce a viable mine the Nation has no way to independently obtain reliable information on the likelihood of success (very likely to be the case) - there is a risk the company will attempt to evade its obligations.	willing/able to do this because no monies change hands up front



Note that these formulas are not all mutually exclusive. A combination of two or more could be negotiated or - if the nation adopts an Exploration Agreement template as a condition of assent for development on traditional lands (see text box below) – required of a developer.

Exploration Agreements: To Template or Not to Template

The First Nation should think about some of the strengths and weaknesses of developing an Exploration Agreement template rather than negotiating them on an ad hoc, "as and when needed" basis.

Having a confidential template of minimum required terms and conditions the in its pocket to present to all would be developers when they walk in the door may create additional leverage and reduced long-term effort for the First Nation. Potential strengths of having such a template "Minimum" Agreement include:

- not having to reinvent the wheel through negotiations each time (especially important when there is a lot of exploration in your area);
- minimum terms consistently applied;
- consistency and clarity for developers (important when you are interested in exploration activity in your region);
- reduced legal and negotiating costs;
- minimum terms may be developed in a strategic setting where they can fit better with longterm planning goals and aspirations; and
- taking the initiative for defining the terms of engagement and ensuring community needs are met

Potential weaknesses of template "Minimum" Agreements include:

- developers and the Crown may see them as combative or an unacceptable burden and question their legitimacy;
- developers may see them as a "maximum" rather than a minimum;
- and First Nations may reduce focus on negotiating to the specific issues of Project X once a template is in hand.

In addition, there are any number of different options the nation could pursue in terms of determining what is a reasonable cost to the company in an exploration agreement. For example, any of the following could be used in addition to simple formulas like \$ per metre drilled:



- 1. a set cost per hectare, measured either by:
 - a. actual physical land used by the exploration program (disturbed area); or
 - b. The total mineral claim area of the developer with the Nation's territory.
- 2. graduated payments by stage of the mineral exploration life cycle
- 3. a formula based on:
 - a. the size of project in hectares measured as per #1 above; and
 - b. a "cultural and traditional use sensitivity" ranking for the project

Legal Provisions

A variety of legal provisions are also typically included in exploration agreements. Considerations include, but are not limited to:

- 1. **Non-abrogation:** It is particularly important that exploration agreements do not have provisions that reduce the ability of the FN to raise concerns about specific actions on the land during exploration or subsequent, more impactful activities. Thus, an exploration agreement should include a "non-abrogation" clause that states that the agreement in no way restricts the ability of the FN to raise concerns or even oppose future activities (including the project during exploration or at later stages if there are valid environmental concerns) by the same company or successors on its ancestral lands.
- 2. **Non-derogation:** It is also important to include a "non-derogation" clause which ensures that the agreement will not be viewed as prejudicial to Aboriginal and treaty rights and jurisdiction, or be cited as evidence of a First Nation's waiver of rights, including rights to consultation and accommodation.
- 3. **Most Favoured Nation:** A "Most Favoured Nation" clause may also be considered in order to ensure that the company is required, in the event that it enters into later agreements with other First Nations, bring forward any new terms which might be more favourable to the First Nation into the original agreement.
- 4. **Assignment and Successor Provisions:** Due to the nature of the industry, it is also vital to include assignment and successor provisions, which are intended to ensure that the terms and conditions of the exploration agreement continue to be binding on any future company which acquires the original company or the project.
- 5. Full-scale IBA Negotiation (and/or other renegotiation) Triggers: Provision of a promise to negotiate a completed IBA if the project becomes commercially viable (is deemed economically feasible) before going into production, with timelines and funding



provisions in place. Much higher benefits and adverse impacts can both come from full scale mine construction and operations. Even advanced stage exploration can have effects on and opportunities for First Nations far beyond those of early stage exploration. In order for First Nations to avoid being saddled with outdated contracts no longer commensurate with the scale of development, an exploration agreement should identify a trigger point at which renegotiation of the existing agreement or negotiation of a successor agreement is required. Trigger points vary (e.g., set timelines, capital investment levels, regulatory application type).

6. **Dispute resolution:** Finally, robust dispute resolutions with resort to binding arbitration are invaluable to resolve any disputes between the First Nation and the company in either the interpretation or the execution of the agreement.

Confidentiality

Confidentiality provisions are often included in exploration agreements. These provisions are often necessary to ensure that confidential information provided by one party to the other is respected. However, it is important to consider exactly whose interests are being protected, and to draft the provisions in such a way that they do not impair consultations with the community as a whole, or between First Nations communities where there is an interest in working together.



Tool 2: Common Elements of First Nations Consultation Policies

This review covers the common elements of existing consultation policy frameworks established by the following three First Nations:

- Mikisew Cree First Nation. 2009, Consultation Guidelines. Mikisew Cree First Nation, Alberta. (MCFN)
- Akaitcho Treaty 8 Territory through the NWT Treaty 8 Tribal Corporation, ND, Mineral Exploration Guidelines in the Akaitcho Territory. NWT Treaty 8 Tribal Corporation. (AT8)
- Taku River Tlingit First Nation, 2007, *Mining Policy*. Taku River Tlingit First Nation, BC. (TRTFN)

In the heading for each element, asterisks (*) show how many of the three Nations's policies have addressed the element (one, two, or three).

Each policy was launched by a First Nation in quite different contexts. It is unclear what kind of success has been had through the use of the policies, or how they are shared with the developer or Crown. Two of the policies are specific to the mining sector while the other two are more general guidance documents focused on resource development decision-making.

Thank you to the Nations who provided these policies for analysis. All three policy frameworks have been made public by the First Nations. If you are interested in learning more about the individual policy frameworks, please contact the First Nation in question.



Topics Covered in Policies

1. Interpretive Principles **

This section lays out principles that relate to the policy, such as the authority the First Nation is drawing from, (e.g., *Constitution Act, 1982*), history of the First Nation, the priority values, and the relationship of the policy to aboriginal rights, in addition to the option of giving Free, Prior, and Informed Consent. For example, the TRTFN document includes forward looking principles such as the aim to have shared decision-making and self-determination. It also establishes that cooperative arrangements are central to potentially providing support and consent to mining-related projects.

2. Purpose **

This section typically sets out the intent and role of the policy document. In the TRTFN case, the intent specifically references the lack of legislated process for disposing of surface and subsurface rights, and the lack of TFTFN participation in decisions regarding mining-related activity. The MCFN guidelines establish how MCFN expects to be consulted by the Crown with respect to any proposals set out in the consultation area.

3. Application ***

For exploration, guidelines cover the activities of any party that wishes to conduct mineral exploration activities in the lands of the aboriginal group. The TRTFN policy lays out the triggers to the policy (e.g., written submission of a request for consent), the timeframe for reply and the department responsible for replying.

4. Evaluation of proposal*

Description of the decision-making and evaluation process typically includes discussion of and requirements for:

- How projects are referred;
- Minimum and expected information needs for determining effect at different stages (i.e. exploration and project development);
- The internal process for evaluating a project;
- How decisions are made with respect to exploration activity and development (including FPIC);
- The elements for providing support exploration, a Support Document is issued to offer support, describe terms and conditions, and illustrate agreement;
- What criteria are used to make decisions on whether to support a project including, whether
 there is enough information, the location and site of the activity, the preliminary
 determination of whether the project will impact on collective First Nation interests or
 values, and a preliminary determination about whether the proposal raises serious concerns
 because of possible impacts. There may also be guidance on what the developer may be



expected to do if the First Nation deems the application incomplete or requests changes to project plans or consideration of alternatives;

- Engagement in environmental assessment;
- Elements and requirement of an Impact and Benefit Agreement; and
- The optional requirement of accommodation agreement with measures to protect First Nations interests.

5. Interests in Consultation (sometimes labelled as Consultation Principles)*

This section may include a focus on the principles that underly consultation expectations between the First Nation and other parties, including individual developers and the Crown.

This section would typically identify but not limit the priority values and interests that are being protected by the First Nation. In some cases, First Nations will identify goals and aspirations or even thresholds of acceptable change or desired ecosystem or socio-cultural-economic conditions the First Nation aspires to and which should not be adversely impacted by any development alone or in combination with other cumulative effects on First Nations rights and interests.

6. Consultation Requirements ***

This section (or sections – these requirements are often covered under several sections within the same document) tends to be very detailed, listing consultation requirements and step by step process for managing a relationship, such as:

- What types of developments trigger the consultation requirement. For example, the MCFN specifies the types of large developments, such as oil sands, uranium, hydro-elective, nuclear power, or any proposal which triggers federal or provincial environmental assessment;
- Timing for providing information and making decisions;
- Requirement of developer to register mineral claim at the First Nation office (in the case of the Akaitcho);
- Identification of the impacted nations that should be consulted with by regional First Nation authority (Akaitcho Policy);
- Requirement of funds to carry out consultation obligations (MCFN);
- Consultation requirements, including expected process such as face to face meetings, information requirements, expectations for timing of meetings and consent provision (including a 21 day post-meeting window by the Akaitcho Policy);
- Department responsible for consultation, and mention that attempts to consult with other persons will not constitute consultation (MCFN Policy);
- Information requirements, including number of copies and extent of information (See in particular 5.1.5 of MCFN Policy and Section 6 of Akaitcho Policy, and Section 13 of TRTFN Policy);
- Requirement of the negotiation of an exploration agreement (Akaitcho Policy);



- Review of accommodation if there is potential for infringing on rights (MCFN Policy);
- Possible sequence of events after consultation (including referral to environmental
 assessment, identification of concerns to the developer, the possibility of no further
 consultation, or provision of a letter of satisfaction with the consultation to the regulatory
 authority);
- Process for managing concerns, and documenting impacts and mitigations;
- Incorporation of traditional knowledge (Requirement to use best available knowledge from
 western and indigenous science), and agreements on how to manage and collect traditional
 knowledge, including requirements for traditional resource plans or studies, and traditional
 use and occupancy studies; and
- Provisions for costs, and legal review of agreements.

7. Accommodation of Concerns**

The forms of accommodation named in the policies studied herein include:

- Rejection or change of proposal
- Need to address procedural concerns
- Negotiation of an IBA
- Inclusion in revenue sharing
- Mitigation
- Compensation
- 8. Relationship of Mining Policy to Aboriginal Rights*

This may include a statement that the policy cannot derogate from aboriginal rights.

9. Review of policy*

In the one policy that included this, there is a requirement by the First Nation to review the policy two years after ratification, and then every five years thereafter.



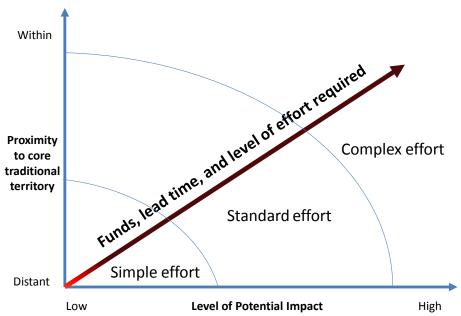
Tool 3: Referrals Screening and Prioritization Tool

This worksheet can be used by the lands/resources department, legal or negotiators when planning for work with many developers in the traditional territory of a Nation. The worksheet is meant to be used to generate discussion and ideas about how to increase your leverage to negotiate or manage development. Generally, the amount of time and energy that is spent on a project should be gauged by thinking at minimum about two things (see Figure below):

- How close is the project to core or primary use or value traditional territory (as defined by the First Nation itself)?
- What potential level of impact will the project have on rights and interests (note that this can include impacts like reduction in fish habitat, or beneficial impacts such as increased jobs)?

The project that is far away from core interests and has little potential for adverse impacts or beneficial effects on First Nations rights and interests should be given low priority and vice versa.

Level of preparations linked to...



The primary purpose of such a tool is to act as an "early warning" device which Lands staff can use to assess the potential for individual projects to impact upon the First Nations interests. Once a priority determination is made based on preliminary project information, then the level of assessment and preparations required by the Lands Department and First Nation as a whole, and demands for information and (as applicable) consultation with the developer and government, can



ensue. A screening tool can also be used to identify whether a project exceeds certain thresholds beyond which additional or new mitigation is required if the First Nation is to support the development, which may be expressed in responses to the developer and the regulator/Crown during the application review period.

The goal is to provide a tool the First Lands Department can use consistently to prioritize involvement in early assessment of those projects most likely to be of future concern – channeling resources properly. Each First Nation needs to tailor its own Referrals Prioritization Process. The final tool needs to be simple enough that it can be used relatively early in the process of a proposal.

First Nations that want to develop such a tool should first review existing referrals to determine what information is likely to be readily available in typical referral documents received by the office or information which the First Nation's Lands Department deems really important and could add to its information requirements for referrals (some example criteria are listed below).

When thinking about the priority of a criteria/indicator, ask yourself: How important is this criteria to the determination of what level of effort the proposed development merits from our Lands Department?

Type of criteria to consider will differ by First Nation but may include:

- 1. Type of activities
- 2. Proximity to village sites
- 3. Closeness to commercial trapper cabins or cabins for traditional economic practice
- 4. Avoidance areas
- 5. Traditional transportation corridors: e.g., intersection of trails and rivers used for navigation to and from harvesting locations
- 6. Cultural meeting zones. Historic sites
- 7. Sites of cultural significance grounded in stories.
- 8. Archaeological potential, which may be determined by
 - a. Quantitative modeling
 - b. Culturally significant area oral history
 - c. TUS data
 - d. Village sites or known travel sites
 - e. Proximity to known archaeological sites
- 9. The project's potential contribution to cumulative effects
- 10. Location in proximity to reserve lands
- 11. Location in proximity to high use harvesting lands
- 12. Thresholds of disturbance, proxy of physical footprint
- 13. Level of public concern culture group specific but may include any large disturbance; excessive water withdrawals; gating roads.
- 14. Proximity to special habitat or areas frequented by important or threatened animal species.
- 15. Areas with high cumulative effects concerns (e.g., lots of existing industrial activity putting pressure on resources).