



CCA

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Tabled by *Sask. Mining Association*
(Pam Schwenn & Steve Forbey)

Date *October 16, 2009*

**INVESTING IN BASELOAD POWER INFRASTRUCTURE
AS A FOUNDATION FOR
ECONOMIC GROWTH AND PROSPERITY**

**Presentation to the
Standing Committee on Crown and Central Agencies**

Saskatchewan Mining Association (SMA)

October 17, 2009





Mission Statement:

*Providing a foundation for growth
through a safe, responsible mining industry.*

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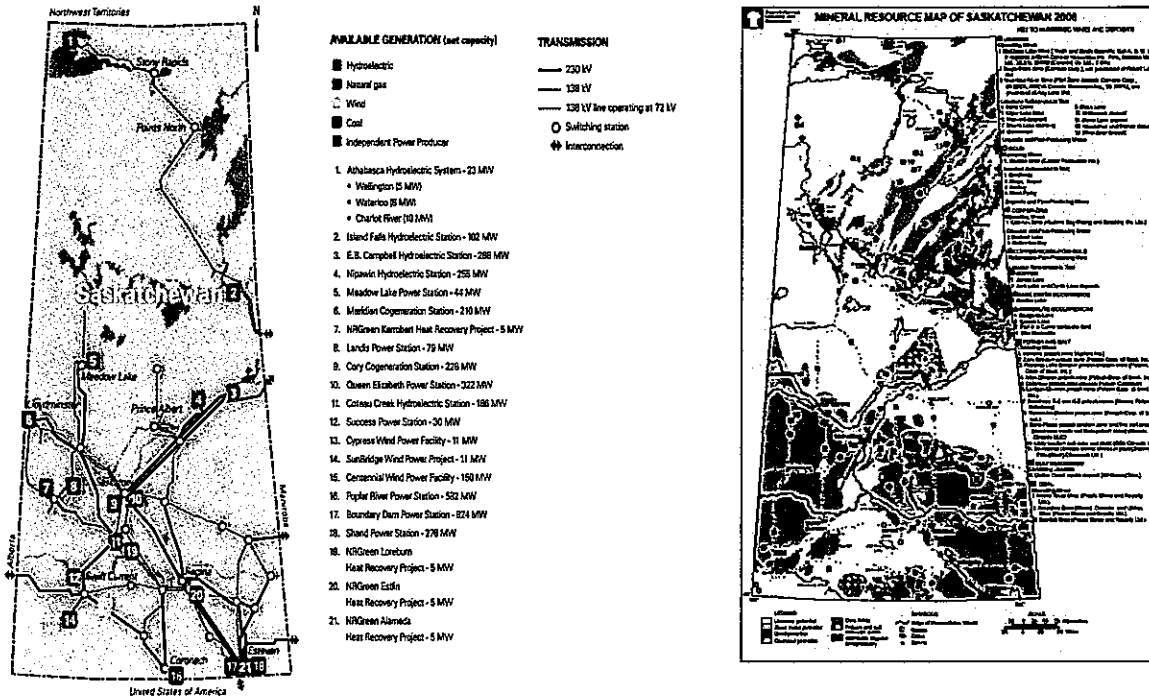
“How should the Government best meet the growing energy needs of the province, in a manner that is safe, reliable, and environmentally-sustainable, while meeting any current and expected Federal Environmental Standards and Regulations, and maintaining a focus on affordability for Saskatchewan residents today and into the future?”

1. Introduction

My name is Pam Schwann, Executive Director of the Saskatchewan Mining Association (SMA) and I am here with Steve Fortney, Chair of the Potash Section and General Manager of PotashCorp Rocanville Mine. We are here on behalf of the Saskatchewan Mining Association.

- The Saskatchewan Mining Association is considered to be the voice of the Saskatchewan mining industry.
- We have over 40 Member companies including producers and exploration companies such as:
 - PotashCorp, Cameco, Mosaic, AREVA, Agrium, Sherritt Coal, Claude Resources, Hudson Bay Mining and Smelting, Golden Band Resources, Shore Gold Inc. and dozens of exploration companies.

Our companies have mine operations throughout Saskatchewan, – North, South, East and West- dispersed over a very large area similar to the power distribution grid in Saskatchewan, and that similarity is not a coincidence.



Thank you for this opportunity to participate in the public consultation process of the Standing Committee on Crown and Central Agencies regarding the growing energy needs of the Province of Saskatchewan.

Our objective here today is to **underscore the need for significant new infrastructure investment in BASELOAD power generation, transmission and distribution capacity.** Companies making multi-billion dollar investments in the Province, as our companies are doing, need to have the confidence that the required baseload power generation, transmission and distribution infrastructure is in place to support their investment and operations. Many of our companies are major clients of SaskPower, and would be included in the 35 companies that utilize 45%

of the energy used by the Province. We are also the clients that pay for a significant portion of SaskPower's annual revenues.

The issue of a stable and secure power generation, transmission and distribution system is fundamental for the growth of our industry, and the growth of Saskatchewan. We respectfully suggest that as the economy of the province prospers as a result of increased activity in our sector, that the question posed by this Committee be amended to reflect a focus on affordability for Saskatchewan residents **and businesses**.

2.1 Background – Existing Saskatchewan Mineral Sector

Mining companies operating in the province placed Saskatchewan as Canada's #1 mineral producing jurisdiction in 2008, with mineral production valued at a record \$9.7 Billion. Potash production accounted for approximately \$8 Billion of this total with uranium contributing \$1.5 billion. A recent survey for the Mining Association of Canada indicated that the Saskatchewan government derived more revenues from the mineral sector than any other jurisdiction in Canada, excluding the oil sands.

Saskatchewan is a significant player in the global mining scene and is currently the world's largest producer and exporter of both potash and uranium, although Kazakhstan is likely to become the world leader in uranium production in 2009.

Mining is a major contributor to Saskatchewan's economy, directly contributing almost \$2 Billion in revenue to the provincial government in 2008. These revenues, which represent about 20% of the total

Government revenues, support government programs and services such as health care, education and infrastructure development.

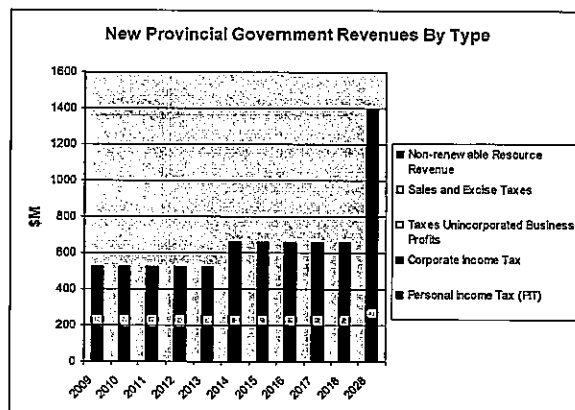
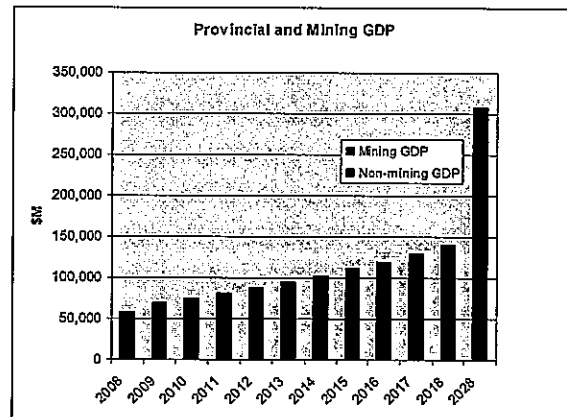
Mining activities, (direct, indirect, and induced) accounted for \$7.7 billion in GDP or 12% of the total provincial economy in 2008. Direct, indirect and induced mining employment accounted for 30,500 jobs or almost 1 in every 16 jobs. The Saskatchewan public recognizes the significant contributions of the mining industry. A recent Public opinion poll of 1000 Saskatchewan residents indicated that 92% were either somewhat supportive, or very supportive of the Saskatchewan mining industry.

While the revenues from the mining sector will decrease in 2009, we are confident that the government will continue to receive a significant proportion of their revenue from the Saskatchewan mining industry in future years.

2.2 Saskatchewan Mineral Sector - Expansions

Over the course of 2008 to 2028, proposed industry expansion plans will see mining's contribution to provincial GDP increase to the 17 to 20% range.

In addition, if all expansion plans are met, the industry will add on average \$9.5 billion per year to the provincial GDP. Finally, the industry can expect to generate an additional



\$1.4 billion per year in provincial revenues. All of these impacts are incremental to existing mining activity.

3. Mining Sector Power Infrastructure Requirements

The Saskatchewan Mining Association is currently undertaking an assessment of Key Infrastructure Requirements to support the growth of our sector. While this report isn't yet complete, we can state with confidence that there will be a significantly increased demand for baseload power, as well as increased pressure on the **transmission and distribution capacity** of the system.

As previously noted, the mining industry is a major contributor to the provincial economy supporting the quality of life of Saskatchewan residents by funding government programs and services such as health care, education and infrastructure development.

Although a significant contributor to the province's GDP and the Government's direct revenue stream, the mining industry continues to experience significant power generation, transmission and distribution infrastructure deficits that increase mine expenses, decrease revenues and negatively impact future project feasibilities.

With over \$10 Billion of investment committed to Saskatchewan mining projects in the next 5 years, a medium and long-term plan for secure,

reliable and affordable power generation, transmission and distribution for all of Saskatchewan is required.

The Government of Saskatchewan has repeatedly expressed its goal to support economic growth in the province by providing the supporting infrastructure for growth; however, there are **no comprehensive plans in place to support the growth of the industry over the next 5 – 20 years**. While SaskPower has stated that the short term (5 year) electrical supply is secure, primarily through the installation of natural gas turbines and energy conservation initiatives, the medium (10 year) – to long (20 year) term plans are sitting at the “evaluation stage”. At the same time, SaskPower has indicated that they will have had to rebuild, replace or acquire 4100 MW of electricity by 2030 – which represents over 100% of Saskatchewan’s existing capacity of 3641 MW.

SaskPower’s 2008 Energy and Demand Forecast Report identifies a 6.7% increase in energy growth for the Power Class, (which includes the mining sector), compared to the overall annual growth rate of 3.1%. In the next 5 years, SaskPower has identified that the mining sector load of the Power Class is expanding at an “extraordinary rate” and will increase by 2000 GW.h (285 MW based on 7000 operating hours in a year).

Preliminary results from the SMA Infrastructure study suggest that this number is a minimum, and that with moderate growth, the mining sector load is forecast to increase by 377 MW, over the next 5 years, 486 MW over the next 10 years, and 648 MW over the next 20 years.

Table 1: Increase to power load requirements; mineral sector (moderate growth scenario)

	5 year	10 year	20 year
Power Infrastructure Requirements for Medium projected growth	▪ 377MW	▪ 486MW	▪ 648MW

The Saskatchewan Mining Association is confident that the Government of Saskatchewan will recognize the **risks that infrastructure deficits** related to power generation, transmission and distribution **pose to the growth of the economy**, and that the Government will work with the mining industry to find short, medium and long term infrastructure solutions that will support the sustainability and significant projected growth of the mining industry over the next 20 years and beyond.

3.1 Energy Efficiency and Conservation

At this time we would like to offer some comments with respect to Energy Efficiency and Conservation:

- The SMA supports initiatives for energy efficiency and conservation. Member companies actively adopt these practices as energy costs are a significant part of our business, and improved efficiency means reduced costs. Simply put as part of good business operations mining companies have already made significant investments in energy efficiencies and additional improvements will be minimal.

Examples of some of these initiatives can be provided to committee members upon request.

- With respect to conservation, while companies are able to operate on “interruptible power” for a short duration of 2 – 3 hours in emergency situations it is not feasible to have industry cut back their power consumption to compensate for a weak or inadequate power generating system. Reduced power consumption represents reduced productivity and significant cost increases for industry.

Recommendations:

1. That the Province research and develop options to acquire additional secure **BASELOAD** power generation, transmission and distribution capacity as a priority. We would ask that this Committee pay particular attention to viable baseload power options as this is what the Power Class Customers, which represent 45% of the energy used in the Province, requires.
2. As the prosperity of the Province is directly related to the success of the mineral resource sector, the Province should immediately take action to ensure that baseload power generation, transmission and generation infrastructure is in place to ensure the industry’s sustainability and growth. It is noted that timelines for reliable baseload Power Options require a minimum of 5 years lead time, with most large scale projects requiring a 10 – 15 year timeframe.
3. That SaskPower make public medium (10 years) and long-term (20 year) plans, with associated timelines, for power generation, transmission and distribution. This will provide investors with

confidence that the infrastructure will be in place to support their significant investments.

4. That Government prioritize the re-investment of power infrastructure as a foundation for economic growth of the Province.

In conclusion, the mineral sector in Saskatchewan is a key foundation for the province's prosperity with demonstrated strong public support throughout the province. Continued growth of the sector translates into improved quality of life for all Saskatchewan residents. A prerequisite for continued growth, is ensuring that there is safe, reliable and affordable infrastructure in place. Thank-you for providing us with the opportunity to present our perspective on the importance of the Government of Saskatchewan investing in **BASELOAD** power generation, transmission and distribution infrastructure.