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July 26th, 2018

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Mr. Ryan Barry
Executive Director
Nunavut Impact Review Board
PO Box 1360
Cambridge Bay, NU
X0B 0C0

Re: NIRB Review Process, Baffinland's 2018 Production Increase Application

QIA has reviewed the 2018 Production Increase application, and while generally supportive of the application QIA's support is contingent upon on-going efforts to stabilize the Mary River project and to execute upon obligations and commitments which the proponent has committed itself toward. The basis for QIA's support is explained below in greater detail. QIA has worked extensively with community of Pond Inlet to develop this submission. QIA recognizes the community may submit comments of their own to NIRB independent of this submission.

Background

QIA first became aware of the intention of Baffinland to advance an application for a production increase in early January 2018. Upon hearing of this application QIA wrote to the proponent, included in that correspondence was the following statement:

*"In the event BIMC develops a proposal to increase ore production for the Early Revenue Phase, QIA would certainly be willing to engage with BIMC in a review of its proposal and would welcome the opportunity to consider how such a project change could benefit Inuit."*¹

QIA's approach to its review and engagement on the 2018 Production Increase has been consistent with this statement. The following submission provides additional details as to QIA's views and efforts to assess the 2018 Production Increase application.

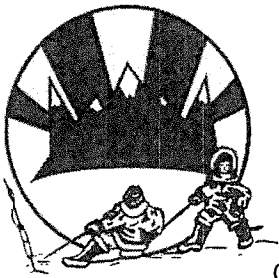
2018 Project Stabilization Approach

In 2018 QIA elected to pursue a "Project Stabilization" approach, whereby QIA asserted its view that certain improvements were required for the Mary River Project to continue to operate in a mutually beneficial manner consistent with the following principle and objective described in the IIBA:

*"Underlying the provisions of this Agreement is the principle of mutual benefit, collaboration and consultation for both Inuit and the Company from the Project. Benefits for Inuit shall include financial participation, a comprehensive training strategy, target levels of Inuit employment, capacity building, business opportunities and Inuit content considerations in contracting. To the extent that Inuit achieve these benefits the Company will then be able to rely on efficient, high quality Inuit Firms, a well-trained local work force, Project support and stability."*²

¹ QIA Letter to Baffinland Iron Mines Corporation. Production Update for 2018. January 17, 2018.

² Mary River Inuit Impact and Benefit Agreement, Article 2.1.1. September 2013.



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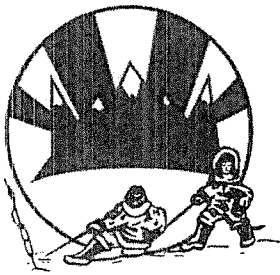
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QIA's approach to "*Project Stabilization*" was informed by a straightforward intention, for the project to advance Inuit interests must also advance. In early 2018, based upon project status at that point in time it was exceedingly clear to QIA that Inuit interests were not advancing to the degree expected. As reported both by Baffinland in their Annual Monitoring Reports, and by QIA through its own public disclosures from 2013-2017. Many commitments made under the IIBA have not been executed upon resulting in an overall loss of benefit to Inuit. Additionally, the Mary River project has placed a significant social and resource strain upon Inuit and QIA in order to address these shortfalls. It was upon this basis that QIA presented its proposed "*Project Stabilization*" approach to Baffinland. This approach is characterized by first and foremost addressing historical and current matters related to the project in order to achieve a level of "stability" from which parties can then examine future oriented plans. In May 2018 the parties committed themselves to a "*Project Stabilization*" approach.

In proposing and agreeing upon a "*Project Stabilization*" approach QIA was very mindful that additional attention and resources would be required. Change requires attention. QIA committed itself to a process of change on the basis that Inuit deserve to benefit and participate to a greater degree in the Mary River project. QIA also committed to this process with the recognition that the project is at a precarious stage in its development whereby project stability, on an economic basis, has not yet been achieved. QIA recognizes the company has explained its desire to increase production on the basis of making the current project (Early Revenue Phase) more economically sustainable. At face value this represents a predicament for which solutions are possible. In reality faced with timelines and a checkered history of performance achieving mutually acceptable outcomes is not without practical constraints.

Parallel to processes related to reviewing and responding to the 2018 Production Increase, under the "*Project Stabilization*" approach, QIA and Baffinland have also committed to the following:

1. Monthly in-person meetings between the President of QIA and Baffinland.
 - a. Meetings have been held in twice in May, once in June and for two days in July
2. Renegotiation of the Mary River IIBA, using an expedited process
 - a. The goal is to have a document that can be tabled to QIA's Board of Directors by October 2018.
3. Execution of a comprehensive 2018 IIBA Work Plan.
 - a. Focusing upon implementation of the Inuit Human Resource Strategy
4. Execution of a comprehensive 2018 Commercial Lease Work Plan.
 - a. Focusing upon addressing historical matters and project modifications.
5. Implementation of the Qikiqtani Skills and Training for Employment Partnership (Q-STEP)
 - a. Advancing upon year two of a four-year project with the objective of increasing Inuit employment by 100 new Inuit employees.
6. Creation of theme specific working groups to address project activities
 - a. Dust
 - b. Water monitoring
 - c. Shipping
7. Advancement of an Inuit Training Agreement
 - a. Creation of a comprehensive long-term approach to Inuit Training and Employment
8. Engagement in 2018 Work Plan Amendments and Security Adjustments
 - a. Regulatory engagements, including security assessments to address on-going project modifications.



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9. Amendments to the IIBA.
 - a. Aimed at addressing potential financial risks for Inuit as a result of the 2017 IIBA Arbitration Decision.
10. Creation of and execution upon 2018 Production Increase Commitment List ("List of Commitments")³
 - a. List of topics for which dedicated efforts are needed to address aspects of the current project and/or the proposed production increase.
11. Agreement to conduct regular audits of project compliance with proponent obligations and commitments ("Performance Audits").⁴
12. Hiring additional staff
13. Holding additional QIA Board of Directors Meetings
14. Directing additional resources and organizational priority toward the "Project Stabilization" approach

QIA takes its role in the Mary River project very seriously. QIA can honestly say that 2018 is the most demanding year for our organization since 2012-2013, when the final hearings for the project were proceeding in parallel with the negotiation of an IIBA and Commercial Production Lease. It is on the basis of improving benefits and opportunities for Inuit that QIA has undertaken this work. While significant work remains in 2018, QIA believes the parties remain committed to the *Project Stabilization* approach. QIA has further committed to reporting upon activities and outcomes in a transparent fashion to provide clarity on overall project status. This submission is one such opportunity.

In undertaking the *Project Stabilization* approach QIA is mindful that several months of heightened activity and signs of progress can in no way replace the impacts of several years of checkered performance. The reality is Inuit have lost out on opportunities and benefits that would have otherwise occurred had the proponent implemented its full suite of obligations.

During our community engagements, several community members likened the project to that of a child, whereby it is expected that operating the project requires a degree of patience and experience. The project has required more patience than was anticipated. While these statements resonated with QIA, in the context of the Nunavut Agreement, allowing a project to continue to operate in a less than desirable state should not be tolerated. Once again QIA is mindful that despite dedicated efforts to improve there remains a real risk of the project resuming a state of mediocre performance. It is entirely undesirable for Inuit to accept the prospect of an expanded project in the context of outstanding concerns regarding compliance with obligations and commitments. In the best case scenario, it will take several years of consistent dedicated effort for Inuit to consistently benefit from a more stable project. NIRB is strongly urged to not overlook these sentiments when developing recommendations on the application.

2018 Production Increase

QIA is generally supportive of the Project moving forward, given the recent *Project Stabilization* approach, the *List of Commitments*, and the *Performance Audits* that when taken together, and if properly implemented, should address present and future concerns and commitments related to the Production Increase application. QIA has committed to this approach with the knowledge that if the Project is not able to stabilize and consistently deliver upon obligations then continued

³ QIA, Hamlet and MHTO Letter to NIRB. NIRB Review Process, BIMC's 2018 Production Increase Application. July 11th, 2018.

⁴ Baffinland letter to NIRB. Baffinland Iron Mine Corporation Increase Application. July 16th, 2018.



support for the Project is in jeopardy. Conversely, through dedicated action and results demonstrative of compliance with obligations, the Project can achieve the level and type of mutual benefit all parties expect. QIA strongly believes that NIRB should consider how performance of obligations can be addressed when developing its recommendations upon the application.

QIA stresses the importance of input from the communities and individuals living in the area affected by the Mary River Project being adequately addressed in day to day management of the Project. Tangible tools must be in place to actively monitor and mitigate impacts, such as sufficient adaptive management strategies with appropriate thresholds and resulting actions. The recommendations in this document have been formulated with these considerations in mind.

QIA recognizes that the proponent has committed to additional activities specific to the marine, freshwater, terrestrial, and socioeconomic environment during meetings in Pond Inlet from July 10-12, 2018. However, the written commitments were provided to QIA on July 20, 2018 and QIA's review of these commitments in relation to technical comments and recommendations have not been completed and will be submitted to NIRB by August 3, 2018.

QIA is seriously concerned that if the recommendations put forward in this submission are not incorporated into the recommendation on 2018 Production Increase that the basis for monitoring project impacts will weaken, resulting in the possibility that project impacts will exceed impact predictions. It is therefore foreseeable that unless otherwise addressed, the project could operate beyond what has been presented as predicted impacts. For Inuit, this is not an acceptable outcome, nor is this consistent with the objectives of the Nunavut Agreement. The tools found within the Nunavut Agreement, including, but not limited to project assessment and project monitoring, must be used to actively balance the applications and actions of proponents. QIA is concerned that these tools are not as precisely aligned to the project as possible. A recommendation upon the 2018 Production Increase application is an opportunity to ensure such a balance exists.

Performance Audits

As noted by QIA in correspondence to NIRB⁵, there remains significant concern that should the Production Increase application be accepted, based on the *List of Commitments*, it is entirely possible that commitments made by the proponent may not be implemented. QIA's experience with respect to the Mary River Project to date suggests there is a high probability that not all commitments made will in fact be implemented. As many of the items in the *List of Commitments* are intended to address uncertainties in either the application or due to issues related to existing project impacts, there remains a real risk that additional impacts will go without appropriate monitoring or mitigation. In part to address this, QIA notes the proponent has committed to undergoing regular *Performance Audits* which would assess the implementation of project commitments.⁶ The audit would be scoped to include commitments made both before NIRB and obligations under the IIBA. QIA is presently engaged in developing the scope for such audits on the premise that audits will be conducted twice per year for two years. The time cycle of having two audits per year will permit the proponent to address issues identified within the same calendar year in which they occur. Furthermore, a two-year overall audit process will provide the time

⁵ QIA. Pond Inlet Hamlet. Mittimatalik Hunters and Trappers Organization Joint Letter to NIRB. July 11th, 2018.

⁶ BIM Letter to NIRB July 16th.

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Additionally, QIA will submit to NIRB a summary of the “*Project Stabilization*” approach. While QIA is not obligated to present such information to NIRB under its response to the 2018 Production Increase Application, QIA feels it is necessary that NIRB be provided with this additional context, so as to best understand the broader context in which the project is operating.



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