

Financial Assurance & PolyMet

House Environment, Natural Resource, and
Agriculture Finance Committee
February 11, 2014



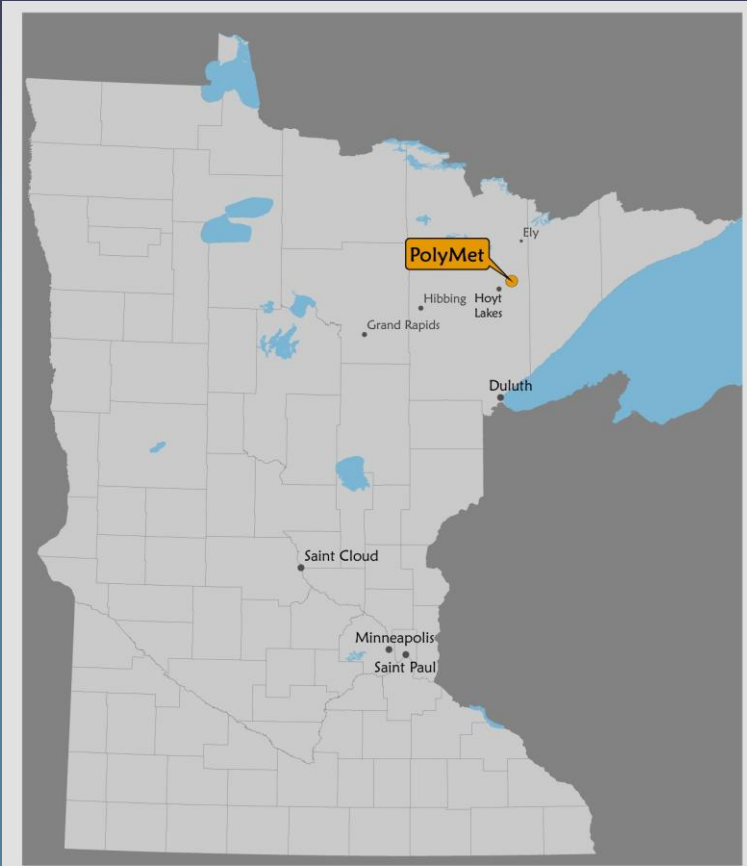
Jess Richards, Director
DNR Lands & Minerals

Overview

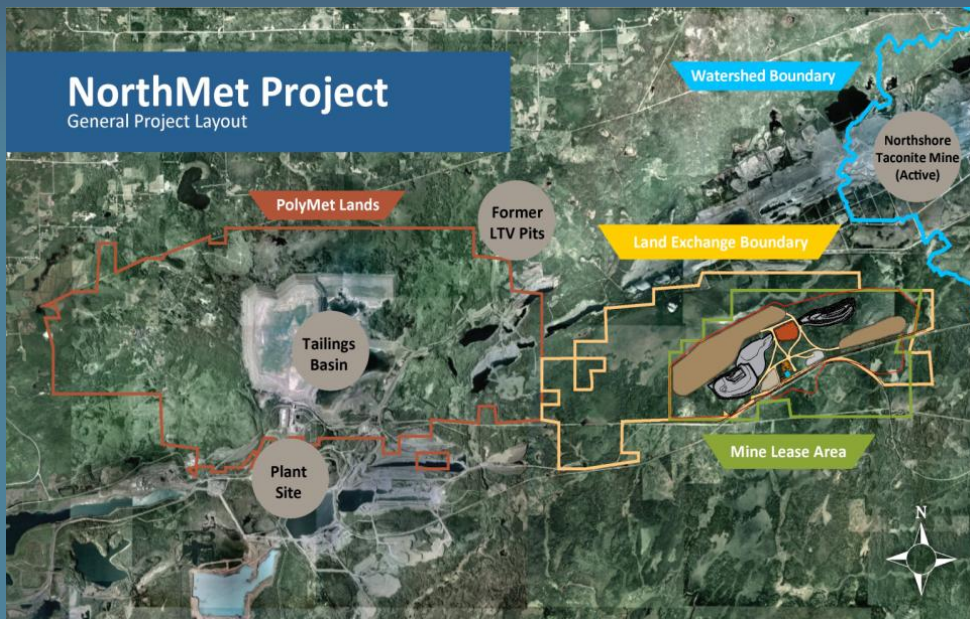
- Brief project overview
- Financial assurance rules: non-ferrous mining
- EIS status: financial assurance coverage
- Next steps: EIS & Permitting processes
- Review of pre-hearing questions



PolyMet Location



PolyMet - NorthMet Project Area



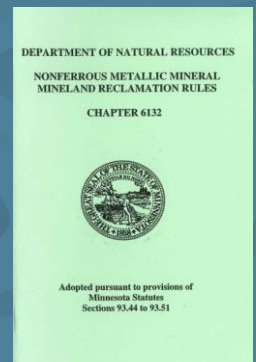
Redevelopment of LTV Plant Infrastructure

- Proposed to utilize existing:
 - Crushers
 - Grinding Mills
 - Electrical System
 - Water System
 - Tailings Basin
 - Shops/Warehouses



Permit to Mine: Non-Ferrous (Minn. R. 6132)

- Permit to Mine Components:
 - Corporation organizational data and certificates
 - Geology and location of ore body
 - Waste characterization
 - Mining and reclamation maps and plans
 - Stockpile design and siting
 - Management of runoff
 - Tailings basin design and operation plans
 - Financial Assurance
 - Closure Plan



Permit to Mine: Non-Ferrous Financial Assurance

- Source of funds to be used by the commissioner if the permittee fails to perform:
 - reclamation activities including closure and postclosure maintenance if operations cease; and
 - corrective actions if noncompliance with the Permit to Mine occurs.



Permit to Mine: Non-Ferrous Financial Assurance

- Contingency reclamation plan
 - Reclaim the site if operations cease within the first year
 - Based on third party costs
 - Updated annually
 - Becomes plan to close/financially assure the site at any point in time
- Corrective action plan, if needed
 - non-compliance with permit



Permit to Mine: Non-Ferrous Financial Assurance

- Evaluation criteria:
 - Sufficient to cover all reclamation costs
 - Payable to DNR: available when needed
 - Valid, binding, and enforceable
 - Not dischargeable through bankruptcy
 - Acceptable to the Commissioner



Permit to Mine: Non-Ferrous Financial Assurance

- Additional key provisions:
 - Initial cost estimates: current dollar value
 - Annual review/updating of estimates
 - Use of outside financial assurance expertise
 - Costs for evaluation: paid by the permittee
 - No specific financial instrument is mandated



Permit to Mine: Non-Ferrous Financial Assurance

- Release of permittee:
 - All reclamation must be complete
 - No postclosure maintenance needed
 - All corrective actions accomplished



How Does DNR Conduct the Evaluation?

DNR/MPCA Mining Expertise

3rd Party Mining Experts

3rd Party Financial Experts



Review of Permit Details

Engineering/Sequence of Mining

Reclamation Costs / Timing



Review of Financial Instruments

Access to funds

Timing of implementation

SDEIS: Financial Assurance

- Coordinated with U.S. EPA
- Includes:
 - Process and reclamation activity descriptions
 - Preliminary closure cost estimates
(\$200M at year 11 / \$3.5-\$6.0M long term)
 - Financial instruments under consideration



SDEIS: Financial Assurance – Example Instruments

Irrevocable Letter of Credit

Cash and Cash
Equivalents

Surety Bond

Insurance

Trust Fund



EIS /Permit Processes

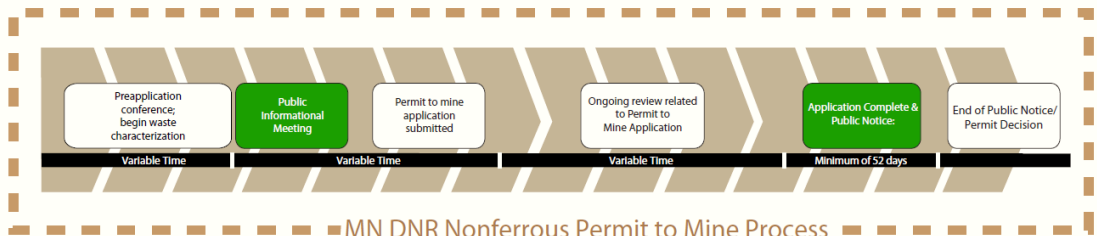
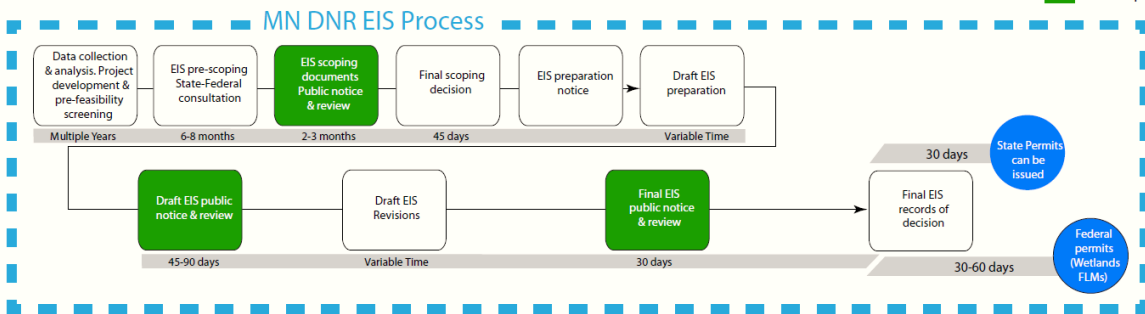


Typical EIS & Nonferrous Permit to Mine Process

MN DNR

Public Input

MN DNR EIS Process



MN DNR Nonferrous Permit to Mine Process

Next Steps: EIS Process

- Review 10,000+ comments
- Update / revise EIS document
 - Include additional financial assurance coverage if available
- Publish Final EIS (30 day notice)
- Determine adequacy of the EIS



Next Steps: Permit to Mine



SDEIS Comments Due
March 13, 2014

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Thank You

