

# Goodmans<sup>LLP</sup> Update

## 2022 Federal Budget: Government Supports Critical Mineral Projects in Canada

The 2022 federal budget (the “**Budget**”) commits significant funding and proposes far-reaching measures to boost the development of Canada’s mining industry for critical minerals that are essential to the global economy and of fundamental importance to the evolution and expansion of clean technologies and solutions.

### Background

As noted in the Budget, Canada has an abundance of critical minerals that are high in global demand, currently in short supply, and central to major global industries like clean technology, health care, aerospace, and computing. The federal government acknowledges there is a need to make significant investments to take advantage of these valuable resources.

Consequently, in this context, the Budget proposes to provide up to \$3.8 billion in funding over the next eight years, starting 2022-23, to support the implementation of Canada’s Critical Minerals Strategy, which is intended to strengthen the economy, create thousands of jobs, and consolidate Canada’s leading role in the global critical mineral industry.

### Critical Mineral Strategy

The core elements of Canada’s new Critical Mineral Strategy are designed to (i) facilitate critical mining projects through infrastructure investments and reduction of regulatory burdens, which are often in remote areas, (ii) reduce the risks inherent in those projects given the volatility of markets for those minerals and the relatively early stage development of many of the related industries, and (iii) ensure that key stakeholders such as employees and First Nations communities benefit from the investments and opportunities. The proposals include the following:

- **Creating Infrastructure Investment Opportunities.** The Budget proposes to provide up to \$1.5 billion over seven years, starting in 2023-24, for infrastructure investments that would support the development of the critical minerals supply chains, with a focus on priority deposits.
- **Attracting Global Critical Mineral Supply Chains.** In an effort to attract critical mineral investments and secure agreements that would increase production of goods like electric vehicles and batteries, the federal plan proposes to provide up to \$1.5 billion, starting 2024-25, to support critical mineral projects, with a priority focus on mineral manufacturing, processing, and recycling applications.
- **Promoting Research and Development.** The Budget proposes to provide up to \$144.4 million over five years, starting in 2022-2023, to Natural Resources Canada and the National Research Council to support research, development of technologies and materials on which critical mineral value chains depend.
- **Supporting Indigenous People.** The federal plan allocates \$103.4 million for the development of a National Benefits-Sharing Framework for natural resources and the expansion of the Indigenous Partnership Office and the Indigenous Natural Resource partnership program to create benefits for Indigenous groups from natural resources projects in Canada.

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- ***Simplifying Regulatory Processes.*** As part of the federal plan to improve the regulatory framework of critical minerals, the Budget adds (i) \$10.6 million to Natural Resources Canada to renew the Centre of Excellence on Critical Minerals, which works with provincial, territorial and other partners to provide direct assistance to help developers navigate regulatory processes and existing support measures, and (ii) \$40 million to Crown-Indigenous Relations and Northern Affairs, to support northern regulatory processes.
- ***Strengthening Global Supply Chains.*** To strengthen Canada's leadership role and remain as a trusted partner in the global critical supply chain, the federal government will provide \$70 million over eight years, starting 2022-23, to Natural Resources Canada. A focus for this funding will be to help Canada to meet its responsibilities under the *Extractive Sector Transparency Measures Act* (a statute that imposes disclosure requirements in an effort to deter corruption in the sector).

## Tax Proposal

To encourage exploration activities for critical minerals, the Budget proposes a 30% critical mineral exploration tax credit for certain mineral exploration expenses incurred on or before March 31, 2027. The eligible minerals for this new tax credit include nickel, lithium, cobalt, graphite, copper, rare earths elements, vanadium, tellurium, gallium, scandium, titanium, magnesium, zinc, platinum group metals, and uranium.

## Looking Forward

The Budget provides significant incentives sought to strengthen Canada's key role in the global mineral supply chain, and provides benefits to Canada's Indigenous communities, permitting them to participate in the opportunities provided by these assets. Participants and investors in the mining industry are encouraged to review the federal government's Critical Mineral Strategy, and the new mineral exploration tax credit, to be well positioned to benefit from these new opportunities.

For further information concerning these developments, please contact any member of our [Mining and Natural Resources Group](#) or [Environmental Law Group](#).

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