



2011-2012 BUDGET PRESS RELEASE No. 4

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A Plan to Develop Our Territory and Our Natural Resources

Québec, March 17, 2011 – “This budget contains measures conducive to optimizing the benefits we can derive from our abundant natural resources,” the Minister of Finance, Raymond Bachand, said in tabling the 2011-2012 Budget.

A financial framework for deploying the Northern Plan

“The Northern Plan is a valuable project for present and future generations. Seizing the substantial development opportunities afforded by the Plan will benefit the inhabitants of the territory concerned as well as Quebecers as a whole. The local communities, in particular the Aboriginal communities, will be closely involved in its deployment,” the Minister affirmed.

Projects under the Northern Plan represent considerable investments. The government’s financial framework for the next five fiscal years provides for infrastructure investments and community measures totalling \$1.6 billion.

The Minister announced the creation of the Fonds du Plan Nord for the purpose of funding this vast project. The fund will obtain most of its funding from a portion of the tax revenues from the development activities carried out in the territory covered by the Northern Plan.

Investing directly in the development of northern resources

“The resources in our northern regions belong to all Quebecers. Developing them will generate substantial revenues for society in the form of taxes and mining royalties. But we are going further. Quebecers will benefit much more from the development of their resources if they invest directly in that development,” the Minister noted. To that end, over the next five years the Québec government is prepared to invest up to \$500 million in equity interests in private projects promising a developmental effect in the territory covered by the Northern Plan.

“The territory is rich. Rich in gold, copper, iron, nickel and diamond deposits, rare earths, and other minerals in high demand; rich in renewable hydro and wind power; rich in wild beauty and biodiversity, which constitute a major tourist attraction,” the Minister indicated.

He said that resource development will be controlled in order to preserve the beauty and potential of the territory for future generations; 50% of the Northern Plan territory will thus be withdrawn from industrial development.

The Northern Plan will both facilitate and supervise private investments on the territory by making the territory accessible, with the financial contribution of developers. Major land, marine and air transportation infrastructure projects will open up the territory to facilitate tourism development as well as mining or energy development. The extension of Route 167 north of Mistissini to the diamond deposits in the Otish Mountains, for example, will make this region accessible to the development of mining and tourism. That work will begin this year.

“My colleague, the Deputy Premier, Minister of Natural Resources and Wildlife and Minister responsible for the Northern Plan, will have the pleasure of revealing the details of the Northern Plan soon,” the Minister said.

Gaining from a new mining royalties system

In the last budget, the government initiated a reform of the mining royalties system and substantially increased the contributions of companies in this sector. “Taking into account only mining royalties, Québec now demands contributions 28% higher than the Canadian average. Whereas we forecast roughly \$540 million in royalties for the next five years, we estimate today that active mining companies in Québec will pay us over \$1.4 billion for the same period,” the Minister noted.

Fair royalties for shale gas

“This year, our action is focused on shale gas,” the Minister announced. “It is now reasonable to believe that Québec’s subsoil holds substantial shale gas potential. As stated by the Premier in his inaugural address on February 23, this development will be carried out correctly or not at all.”

“If the gas potential can be developed economically, and respectfully in regard to the environment and the public, Quebecers will benefit from their fair share of this resource,” the Minister added. “Currently, the royalty rate paid by gas companies varies from 10% to 12.5% of a well’s value. The strategic environmental assessment will be followed by the implementation of a completely revised royalty system for the shale gas industry and a new rate schedule implemented.”

Under the new system, the royalty rate will vary with the productivity of the well and the price of the resource, and could reach 35%. The royalties paid in Québec compare favourably with those paid in other jurisdictions, such as British Columbia.

The BAPE report released on March 8 recommends that gas companies be assisted in conducting strategic environmental studies before embarking on the production phase. “My colleague, the Minister of Sustainable Development, Environment and Parks, recently announced the creation of a strategic environmental assessment committee. We must ensure that development will be carried out according to best

practices,” Minister Bachand said. A budget of \$7 million will be allocated for conducting the announced strategic environmental assessment.

In addition, the government will be investing \$6 million in three years to step up the inspection of shale gas facilities and wells and ensure that gas companies protect the environment right from the exploration stage.

Lastly, compensation of \$100 000 per well in production will be paid to the municipalities concerned over a period of 10 years. A new legal and regulatory framework will facilitate the conclusion of agreements between holders of an exploration licence and landowners.

Ensuring fairness between generations

“Our natural resources as a whole belong to all Quebecers, including the youngest and those not yet born. It is fair for all generations to derive benefit from the development of our non-renewable resources,” the Minister said. “Once fiscal balance has been restored, we will deposit each year 25% of all mining, oil and gas royalties above the \$200-million ceiling in the Generations Fund.”

Promoting the forest sector

Renewal of the Silvicultural Investment Program for another year and new measures for seedling production means that additional investments of almost \$45 million will be made in Québec’s forests until the new forest regime comes into effect in 2013.

The Minister also announced the creation of a working group mandated to propose strategies for increasing the use of wood in non-residential construction in Québec.

The committee will be composed of representatives from the government, academia and the construction industry, and will be chaired by Léopold Beaulieu, CEO of Fondation, the CSN’s development fund. It will submit a report to the Deputy Premier and Minister of Natural Resources and Wildlife by December.

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