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Testimony before the Energy and Mineral Resources Subcommittee
“Seeking Innovative Solutions for the Future of Hardrock Mining”

July 20, 2017
9:00 a.m.

Chairman Gosar, Ranking Member Lowenthal, and Members of the Subcommittee, my name is Mitch Krebs and I’m the President and Chief Executive Officer of Coeur Mining. I appreciate the opportunity to testify before you today. It’s a great honor and privilege. I hope my testimony will provide the Committee with a good sense of how our company and I think about the future of hard rock mining. Like most industries, mining is changing quickly and its approach to how mining is done has evolved – for the better (finally) – and we consider ourselves a leader in this evolution. I also hope I can provide the Committee with some helpful thoughts and suggestions you might consider in four specific areas as you look to reform hard rock mining laws:

1. Our nation’s current permitting process;
2. The idea of introducing a royalty on hard rock mines;
3. EPA’s proposed rule to require additional financial requirements on our industry; and
4. The risks associated with the thousands of abandoned mines throughout our country.

**Company Background**

First, I’d like to share a brief background of our company. Coeur Mining is a nearly 90-year-old U.S. mining company headquartered in Chicago, IL. We operate five mines that produce silver and gold. Our U.S. operations are in Nevada, Alaska and South Dakota and our international operations are in Mexico and Bolivia. In total, we directly employ over 2,100 people while the industry in total employs approximately 2 million people directly and indirectly. We generate about 2/3rds of our revenue from our U.S. operations, which is more than any other major mining company. We’re publicly-traded on the NYSE and have about 50,000 stockholders worldwide.

We are proud of the jobs we provide, of the dedicated men and women we employ, and of the impact we have in the communities in which we have a presence. These jobs we provide pay about two times the national average and are based in some of the more remote areas of the country. And, as you might imagine given what we do, these are jobs that cannot and will not ever be moved overseas. Like most mining companies in the United States, Coeur’s operations do business with many different local suppliers, service providers, and contractors and are a significant source of tax revenue for each city, county, and state where the mines are located and
where our employees reside. As an industry, domestic mining generates $46 billion in tax payments to federal, state and local governments.

I’ve been in this industry since 1995 and I think I have a good sense of the reputation it’s had over the years. In some cases that reputation was well-earned. However, our company and our people don’t represent that outdated perception of mining. We are a forward-thinking company and we represent where mining is going in the future. “We pursue a higher standard” is our Company’s purpose statement. That purpose and attitude extends into every aspect of what we do. We are continually striving to find ways to make our workers safer and the communities and the environment better off than they were before. In fact, I’d say the most ardent environmentalists I know are people who work for our company – out at our sites every day making sure we are protecting the air, the water, the land and the people themselves so that everyone can go home safely from work at night and enjoy the environment where they live.

One last thought from a mining company’s perspective: it’s important that we don’t lose sight of the connection between the mining activities we carry out and what these metals are needed for – especially a metal like silver. Silver is not just used in jewelry and silverware. It’s a metal that is fueling many of the exciting, technology-driven trends in the world today. Anything with an “on-off” switch has silver in it, every mobile device and touch screen relies on silver. It’s used in solar panels and in batteries to help generate clean, renewable energy and to propel electric cars. It’s used to purify water and to treat burn victims. Tomahawk missiles, drones, and GPS devices used to protect our country and our soldiers all rely on silver. It’s everywhere around us and it’s vital that we have a competitive and reliable mining sector in this country.

**Our nation’s current permitting process**

The area where we see the biggest opportunity for improvement is in how permits are obtained for new mines or to expand existing mines. As the process functions now, our country’s permitting process is tied with Burkina Faso for the title of “world’s longest mining process” at approximately 7-10 years. In Canada and Australia, a similar process takes 2 – 3 years. In Mexico, the average time to permit a new mine is about 18 months.

I was just up in southeast Alaska earlier this week at our Kensington Gold Mine. Although there are many other examples, Kensington is the poster child for the broken permitting process we currently have in the U.S. It took over 19 years to finally obtain the ninety separate local, state and federal permits for the Kensington mine and put it into production. My background is in finance and one thing I understand is the time value of money. If it takes 19 years to start getting your money back on an investment, you’re not generating a competitive – let alone a positive – rate of return.

These delays and uncertainty are most likely key reasons why exploration investment to identify new supplies of metals and minerals has fallen as much as it has in the U.S.

By eliminating the unnecessary duplication that currently takes place at multiple levels of government and by tackling the lack of coordination and communication among the various regulatory agencies, we could bring certainty and a level of common sense to the process and
save a tremendous amount of time and expense without sacrificing thoroughness or completeness.

Some specific suggestions include the following:

- **Adopt a “One Project – One Review” approach:** Allow state processes to act as substitutes or equivalents to federal ones as long as they meet certain federal requirements;

- **Provide specific, legally-binding timelines up front:** Make these timelines specific, transparent and use technology to eliminate dated paper-based systems for submissions and document sharing.

- **Consider re-opening the office of the U.S. Bureau of Mines** to act as a coordinator for the permitting process - help connect the dots and bring accountability and structure to how permits are obtained. The U.S. is the only developed country in the world without a federal entity promoting responsible mineral development and conducting important research. Recently, British Columbia up in Western Canada established a Major Mine Permitting Office (MMPO), whose purpose is to improve the coordination of major mine authorizations across government.

**The idea of introducing a royalty on hard rock mines**

There have been congressional proposals over the years to impose a hard rock mining royalty on production from federal lands. Any new financial obligations placed on this industry need to be carefully crafted or else they run the risk of running mining companies out of business, eliminating hundreds of thousands of jobs, and leaving our economy completely reliant on foreign sources of minerals and metals.

When considering a royalty on this industry, my suggestion to the Committee is to consider the following:

- Making the permitting process more efficient and predictable ensuring the security of title and tenure would need to be the first steps toward implementing a royalty. These enhancements would help offset the diminished competitiveness a royalty on the domestic hard rock industry would create;

- Companies in this industry are price takers – we do not have any control over what price we receive for our metals. In addition, many of our operating costs – fuel, steel, chemicals – are outside of our control. Adding a royalty will directly increase our costs and reduce our profitability, which isn’t that strong to begin with given the dynamics of the industry;
• A royalty should be tied to profits (net) rather than revenues (gross). A net production payment is a better incentive for investment because it takes into consideration the costs to mine and process ore and does not penalize mining companies during periods of low commodity prices;

• A company should be allowed to recoup its investment before a royalty is paid. Mining is an extremely capital-intensive business and it struggles to earn an attractive rate of return. The capital used to fund new mine development should be compensated for the commensurate risk before a government royalty obligation is required to be paid; and

• Any new royalty should not be applied to mines already in operation. The rules should not be allowed to be changed in the middle of the game.

**EPA’s proposed rule to require additional financial requirements on our industry**

Last December, EPA issued a proposed rule to require hard rock mining companies to demonstrate and maintain financial responsibility “consistent with the degree and duration of risk associated with their mining operations”, which sounds like a great idea. The only problem is, it already exists.

State and Federal financial responsibility programs have been developed and implemented over the past several decades that are more than adequate to address environmental risk. These existing programs are robust, are required by regulation, and meet the intent of the proposed rule that facilities must establish and maintain evidence of financial responsibility. At Coeur Mining, our financial assurance portfolio already comprehensively addresses environmental risk, closure, reclamation, and post-closure liabilities. We have approximately $200 million of bonding in place to cover the estimated cost of closure and post-closure activities at our U.S. mines. As an industry, companies commit tens to hundreds of millions of dollars to ensure that money is set aside to properly close sites and in the unlikely event of a release, to monitor and remediate any long-term environmental issues. For example, the Bureau of Land Management holds nearly $3 billion in financial assurance and the Forest Service an additional $325 million. These estimates are calculated with the help of third parties, are reviewed annually, and are signed off on by State and Federal regulators who understand the scope of the required work. As part of the new proposed rule, EPA came up with a new “one size fits all” formula to try to estimate these potential costs. In our case, it would increase our bonding requirement fivefold to over a billion dollars, which doesn’t make any sense. It’s not even possible to obtain that amount of bonding from providers of those financial products.

While we understand the importance of a company being able to demonstrate its ability to secure “response costs” to pay for any sort of cleanup, this proposed rule is flawed, it’s redundant, it’s unnecessary, it’s duplicative, and it’s a “solution in search of a problem”.

**The risks associated with the thousands of abandoned mines throughout our country**

Ironically, while there is great concern about mining companies being able to demonstrate financial assurance under CERCLA, nothing is being done to address the thousands of historic abandoned mines whose owners are now bankrupt and long gone.
The GAO determined in 2008 that there are at least 161,000 abandoned hard rock mine sites in the 12 western states and Alaska. At least 33,000 of these sites had degraded the environment by contaminating surface water and groundwater or leaving arsenic-contaminated piles of waste rock from historic mining activities. The incident at the Gold King mine in Colorado two years ago where toxic waste water was released into the Animas River is a recent example of this problem.

These old mines represent a real danger – to our safety, to our water, to our air, and to the communities where they’re located. Although Coeur didn’t cause the problems at these mines, we have the know-how, the people, and the desire to help clean up these abandoned mines and to be a part of the solution. However, there are too many disincentives and risks of exposure to potential historical liabilities under current state and federal laws that prevent companies like ours from getting involved. Good Samaritan legislation has been talked about for a long time. Getting something in place could act as a catalyst to getting these legacy sites cleaned up – something that everyone wants to see happen.

Conclusion

In closing, I want to personally thank the Committee again for having me and for looking at ways to improve the hard rock mining permitting process. I appreciate you allowing me to share my thoughts with you and invite you to come see one of our operations sometime. I’d now welcome any questions you may have for me.