



Mining in Greenland

WHITE PAPER – PDAC 2022

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**MINISTRY OF FOREIGN AFFAIRS
OF DENMARK**
The Trade Council



Contents

Contents	1
1 Preface.....	2
1.1 Greenland at the 2022 PDAC.....	2
1.2 Components of attractiveness	2
1.2.1 Political stability.....	3
1.2.2 Infrastructure.....	3
1.2.3 Geology.....	3
1.2.4 Fiscal stability.....	3
2 Status	4
3 Greenland as a mining country: Drivers and enablers	5
4 Greenland as a mining country: Barriers and challenges	6
4.1 Challenges for the mining industry	6
5 Recommendations.....	7
5.1 Potential initiatives.....	7
5.2 Next step.....	8
6 Participants.....	9



1 Preface

1.1 Greenland at the 2022 PDAC

Through a cooperation between the Danish Trade Council (TC), The Royal Danish Consulate in Toronto, The Confederation of Danish Industry (DI), and the Greenland Business Association (GBA) a delegation of approx. 60 Greenlandic stakeholders participated in the 2022 PDAC (Prospectors & Developers Association of Canada) conference (13-15th June) in Toronto.

This document highlights some of the observations made during the conference and the adjacent meetings between stakeholders. Its purpose is to form a basis for the continued cooperation between the industry and the government and relevant stakeholders.



Picture 1: Including the minister, government officials and the trade delegation 70 people from Greenland participated in the 2022 PDAC

1.2 Components of attractiveness

The purpose of the conference and the Greenlandic engagement in dialogue with the Greenlandic government, licence holders and other stakeholders is to assist in creating a sustainable and prosperous mining industry. This model emphasizes the four “pillars” of relevance for a mining industry in Greenland:

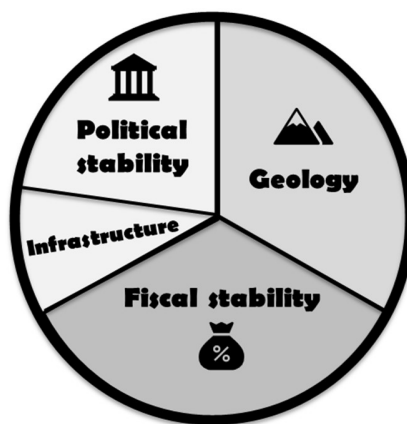


Figure 1: Components of attractiveness for Greenland as an investment case within mining (source: GBA)

1.2.1 Political stability

Political stability includes, but is not limited to, some of the following components:

- Stable legal framework
- Low degree of corruption
- Political vision
- Predictable behaviour
 - Consistency

1.2.2 Infrastructure

Infrastructure falls under political stability as public investments in the infrastructure (as well as other areas, e.g. labour and education) are necessary to attract and sustain investments:

- Investments in infrastructure to support development and projects
- Investments can support a continued growth in areas where there is a potential
- Infrastructure is critical for the transportation of commodities, utilities and personnel to and from towns/settlements/sites but also benefits the surrounding communities as well as serves political and geopolitical purposes in certain areas.
- Infrastructure is a key driver in securing labour

1.2.3 Geology

The right and relevant commodity must be present:

- Relevant accessibility
- Relevant quantities
- In demand
- Mineable

1.2.4 Fiscal stability

Tax- and royalty system must be:

- Transparent
- Reliable
- Reasonable



Picture 1: Bent Olsvig Jensen (Lumina Sustainable Materials)

2 Status

Greenland has granted more than 75 licences (exploration and exploitation).

There are two operating mines and several advanced projects:

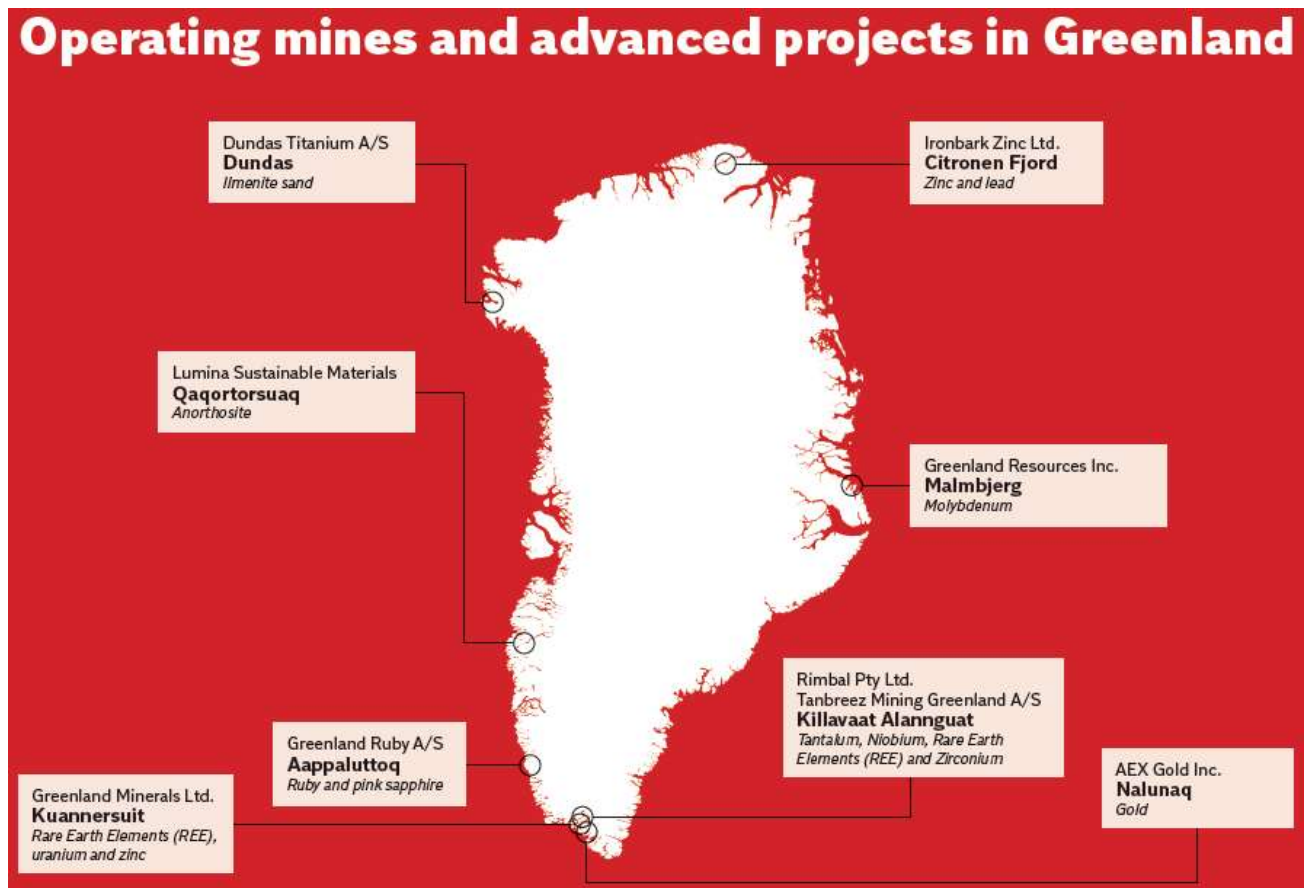


Figure 1: Map of operating (2) and advanced projects (6) in Greenland (DI, GBA and TC)



3 **Greenland as a mining country: Drivers and enablers**

This section aims at identifying the drivers for investments in Greenland and what makes Greenland an attractive economy to consider investing in:

- Stable economy (partly due to the Danish block grant)
- Political stability (although somewhat inconsistent)
- Part of the Kingdom of Denmark (Rigsfællesskab)
- Solid labour market (Scandinavian model)
- Publicly supported critical infrastructure
 - Investments made in ports, airports, hydro plants, and telecommunication (92 % penetration rate)
 - New shipping network has the potential to connect Greenland better to the rest of the world
- Low corruption
- High level of transparency and democracy
- Good/relevant legislation based on well-known principles
- Greenland abides by established principles within accounting, financing etc.
- Improvements in administrative processes
- Many sites have access to sustainable energy
- Greenland aims at educating for the mining industry
- A general political focus on sustainability and the green transition

4 Greenland as a mining country: Barriers and challenges

This section aims at identifying some of the barriers for investments in Greenland and for developing a mining industry.

- Tax regime is not yet suited for the dynamics of the industry
- Lack of infrastructure
- Access to skilled labour and high requirements to employ local employees in a market, where many industries are competing for the same scarce resources and the general education level is low
 - High %-requirements in the IBA to use a local workforce
 - Generally, a small workforce (approx. 28,000)
- Sudden changes in policies and unstable legislation introduced in 2021/22 (the instability is not the case for most legislation)
- Greenland ranks a 2 on OECD's risk assessment (IFC)
- Difficult to activate funds locally for the good of the municipalities and communities in the mining areas
- The mining industry is not perceived as being treated like any other industry in Greenland
- High costs for the use of foreign consultants related to the administration at EAMRA
- Time-consuming translation processes related to applications
- Education for the mining-industry in Greenland is not targeted at the current needs but are aimed at an industry in a later stage of development
- Low understanding in the communities about the mining industry, its benefits and the requirements of the investors when considering investing in a project
- Consequences of potential future commitment to the Paris-agreement not yet assessed for the industry

4.1 Challenges for the mining industry

The mining industry in Greenland is in an infancy and some of the challenges that need to be addressed are presented in this model:



Figure 2: Industry challenges (GBA)



5 Recommendations

5.1 Potential initiatives

Based on the input and observations, and several recommendations have been collected aimed at both industry stakeholders, the Government of Greenland, and communities:

#	TITLE	RECOMMENDATION/SUGGESTION
1	Industry dialogue to be improved	Increased dialogue between the government and the industry including licence holders and the GBA.
2	Re-evaluation of the IBA	Greenland has 12-13 years of experience with the IBA (Impact Benefit Agreement) and the time is right to evaluate it, especially sections on the percentage of local labour to be involved.
3	Evaluation/analysis of Greenland's OECD risk assessment (IFC)	Greenland ranks a 2 while Denmark ranks a 0, although legislation is parallel or the same. The investors respond to this and an independent assessment to clarify the difference and explain the framework should be considered, as this could help attract investors and give them an understanding of the reason for the assessment.
4	Increase information and communication	<p>There is a low understanding in parts of society about the prospects and potential of a mining industry. There is a joint need to communicate better about future projects, benefits, and the industry in general (including how foreign investments work).</p> <ul style="list-style-type: none"> - Investors invest to make money (expectations of a relevant return) - Relevant benefits and risks - Job opportunities - Sustainability - Local projects
5	Update nautical charts	<p>Approach the Danish Geodata Agency and have them provide nautical charts rather than expecting the licence holders to provide their own.</p> <p>Investigate whether previous agreements between the Selfrule Government and the Danish State on the funding for the charts is active.</p>
6	Double taxation	<ol style="list-style-type: none"> 1. Establish a scheme allowing deduction of taxes where no double taxation agreement is in place 2. Create clear guidelines on how to handle double tax issues for expat workers in cases where no double taxation agreement is in place.

	3. Prioritise negotiating double taxation agreements with the countries currently providing workforce to Greenland.
7 Establish tranship facility	Logistics can be improved by establishing a transport and to control the shipments of stock to hit the market at the right and relevant time.
8 Greenland Raw Materials Week	Reach out through a conference format to the youth of Greenland introducing the mining industry as a career path and emphasize the benefits of mineral activities in the community and country. Seek funding from the EU Raw Material Alliance.
9 Develop teaching material for schools on the mineral industry	Promote the development of a targeted curriculum on the mineral industry aimed at school-goers. Cooperate with the Greenlandic educational publisher, Ilinniussiorfik.
10 Translator certification	Application processes are delayed due to the administration involved with translating and proof-reading documents. Consider appointing MLSA certified translators that the licence-holders can use without having to have the translation approved by the authorities in a second or third round.
11 Liaison for coordinated initiatives between industry and community	Some areas of responsibility lie with the government (e.g. education and infrastructure) and others with the municipalities. There is a need for a coordination and a liaison when a licence-holder tries to engage in projects locally in the communities.
12 Reconsider taxation of employee travel	Workers travelling to and from a worksite are taxed as if the travel was an employer-paid vacation-trip. As these trips form part of the work and are necessary to rotate personnel an adjustment of the regulation should be considered.
13 Increase digitalisation	Administration processes with the government have improved but there is room for a more digitalised process to improve effectiveness (filing of reports, Sect. 86 approvals etc.)
14 Improve fast track for foreign labour	The current fast track solution is working but needs to be further improved through Greenlandic-Danish cooperation.

Table 1: Overview of relevant recommendations that should be addressed

5.2 Next step

This white paper will be anchored with the GBA's industry committee for mining. The committee will coordinate and lobby for relevant initiatives, as outlined in the previous section.



6 Participants

- Air Greenland AS
- Arctic Import A/S
- Arctic Law Greenland ApS
- Blue Water Shipping A/S Grønlandshavnen
- Boman Qujan'
- COWI A/S
- Deloitte Statsautoriseret Revisionspartnerselskab
- Eimskip Denmark A/S
- Flies HR Consulting
- Greenland Resources Inc.
- Greenland Travel A/S
- Greenland Venture
- Illit Forsikringit Agentur A/S
- Kalaallit Forsikring Agentur A/S
- KNI A/S, Polaroil
- Kommuneqarfik Sermersooq
- Lumina Sustainable Materials A/S
- Malik Supply A/S
- Nordic Bulk Carriers A/S
- Nordic Camp Supply ApS
- North Water Greenland ApS
- Nuna Advokater ApS
- Qeqertalik Business Council A/S
- Rambøll Grønland A/S
- Royal Arctic Line A/S
- Sermeq Helicopters A/S
- Sikuki Nuuk Harbour A/S
- Tusass A/S
- UP Front Communication ApS