Comments on Greenland’s ‘Oil and Mineral Strategy Report’

Greenland Minerals and Energy (GME) welcomes the opportunity to comment on the draft ‘Oil and Mineral Strategy for 2014-2018’ report. However, within the relatively short time period put forward to provide feedback, we are limited in our ability and scope to respond effectively at this point. Our position reflects the comprehensive nature of the Strategy Report, the inability to have the document effectively translated into English for full review within the available time, and the fact that important reviews of the economic framework of the Kvanefjeld project have not yet been finalised and reviewed in consultation with Greenland’s regulatory bodies.

There are, however, a number of comments we would like to make in regard to the taxation and royalty framework put forward.

Firstly, the level of royalties is set at a relatively high rate by international standards. This may present a problem for Greenland as the high-cost environment and lack of proven and profitable mining operations in Greenland are two significant hurdles, which must be compensated for in order to incentivise investment in mining projects in Greenland. Any comparisons to the taxation and royalty frameworks of well-established mining jurisdictions should be tempered by an awareness of the government support that such jurisdictions offer through infrastructure benefits, available support services, and skilled labour. We believe that the focus should be on ensuring the effective establishment of competitive mining operations in Greenland, which can clearly justify development on an economic basis. In order to achieve this, there should be a clear recognition of the high cost of operating in Greenland, and a taxation and royalty framework that only serves to accommodate this, rather than to further disadvantage Greenland with respect to the development of natural resource projects.

GME also notes that the fiscal scheme offered to the Isua Iron project is relatively competitive and is the result of a negotiation process. This sets an important precedent for Greenland to offer customised fiscal schemes for industry. The company anticipates that it will have the opportunity to evaluate the economics of the Kvanefjeld project with the Greenland government to ensure a taxation and royalty scheme that does not pose a threat to the economic viability of the Kvanefjeld project, and inhibit the ability to finance Kvanefjeld’s development.

Greenland Minerals and Energy also looks forward to constraining a workable timeline that can be publically articulated by all stakeholders in regard to the submission and processing of an exploitation license application. This is of great importance to facilitating continued investment into the Kvanefjeld project, and ensuring that the Company can work toward a development scenario that stands to benefit Greenland society within a reasonable timeframe. With little precedent for the permitting process, approximate timelines need to be established.

GME looks forward to continuing a positive dialogue with Greenland’s policy makers and regulators to ensure an appropriate development strategy for the Kvanefjeld project.