

Fraser Institute Survey of Mining Companies, 2016

by Taylor Jackson and Kenneth P. Green

This report presents the results of the Fraser Institute's 2016 annual survey of mining and exploration companies. The survey is an attempt to assess how mineral endowments and public policy factors such as taxation and regulatory uncertainty affect exploration investment. The survey was circulated electronically to approximately 2,700 individuals between August 30th and November 18th, 2016. Survey responses have been tallied to rank provinces, states, and countries according to the extent that public policy factors encourage or discourage mining investment.

A total of 350 responses were received for the survey, providing sufficient data to evaluate 104 jurisdictions. By way of comparison, 109 jurisdictions were evaluated in 2015, 122 in 2014, 112 in 2013, and 96 in 2012. The number of jurisdictions that can be included in the study tends to wax and wane as the mining sector grows or shrinks due to commodity prices and sectoral factors.

The Investment Attractiveness Index takes both mineral and policy perception into consideration

An overall Investment Attractiveness Index is constructed by combining the Best Practices Mineral Potential index, which rates regions based on their geologic attractiveness, and the Policy Perception Index, a composite index that measures the effects of government policy on attitudes toward exploration investment. While it is useful to measure the attractiveness of a jurisdiction based on policy factors such

as onerous regulations, taxation levels, the quality of infrastructure, and the other policy related questions respondents answered, the Policy Perception Index alone does not recognize the fact that investment decisions are often sizably based on the pure mineral potential of a jurisdiction. Indeed, as discussed below, respondents consistently indicate that only about 40 percent of their investment decision is determined by policy factors.

The top

The top jurisdiction in the world for investment based on the Investment Attractiveness Index is Saskatchewan, which moved up to first from second place in 2015. Manitoba moved up to second place this year after ranking 19th the previous year. Western Australia dropped to third, after Saskatchewan displaced it as the most attractive jurisdiction in the world. Rounding out the top ten are Nevada, Finland, Quebec, Arizona, Sweden, the Republic of Ireland, and Queensland.

The bottom

When considering both policy and mineral potential in the Investment Attractiveness Index, the Argentinian province of Jujuy ranks as the least attractive jurisdiction in the world for investment. This year, Jujuy replaced another Argentinian province—La Rioja—as the least attractive jurisdiction in the world. Also in the bottom 10 (beginning with the worst) are Neuquen, Venezuela, Chubut, Afghanistan, La Rioja, Mendoza, India, Zimbabwe, and Mozambique.

Policy Perception Index: A “report card” to governments on the attractiveness of their mining policies

While geologic and economic considerations are important factors in mineral exploration, a region’s policy climate is also an important investment consideration. The Policy Perception Index (PPI), is a composite index that measures the overall policy attractiveness of the 104 jurisdictions in the survey. The index is composed of survey responses to policy factors that affect investment decisions. Policy factors examined include uncertainty concerning the administration of current regulations, environmental regulations, regulatory duplication, the legal system and taxation regime,

uncertainty concerning protected areas and disputed land claims, infrastructure, socioeconomic and community development conditions, trade barriers, political stability, labor regulations, quality of the geological database, security, and labor and skills availability.

The top

For the fourth year in a row, the Republic of Ireland had the highest PPI score of 100. Ireland was followed by Saskatchewan in second, which moved up from 4th in the previous year. Along with Ireland and Saskatchewan, the top 10 ranked jurisdictions are Sweden, Finland, Nevada, Manitoba, Wyoming, New Brunswick, Western Australia, and Northern Ireland, which was included for the first time in the 2016 survey.

The bottom

The 10 least attractive jurisdictions for investment based on the PPI rankings (starting with the worst) are Venezuela, Afghanistan, Zimbabwe, Mongolia, Philippines, Indonesia, Chubut, South Sudan, Mendoza, and Ecuador. Venezuela, Zimbabwe, and Chubut were all in the bottom 10 jurisdictions last year. Two out of the 10 lowest-rated jurisdictions based on policy were Argentinian provinces.



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Regional Median Investment Attractiveness Scores, 2015 and 2016

