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Assembly Bill 321

April 2, 2003

Testimony of Russ Fields, President,
Nevada Mining Association

I am Russ Fields, President of the Nevada Mining Association. The Association's membership includes mines of a wide variety, companies and individuals involved with mineral exploration and development and suppliers of goods and services to the mining industry. Nevada's mining industry produces approximately \$3 billion in mineral products each year and directly employs approximately 9,000 people. The majority of mining's activities and economic impacts take place in rural Nevada

The Nevada Mining Association shares a fundamental view with the sponsors of AB 321, Assemblywoman Leslie and Assemblyman Geddes. We applaud these Legislators for their desire to ensure that the public is not exposed to liability from modern mining operations. That view is identical to that held by the Nevada Mining Association. The responsibility for performing or guaranteeing that reclamation is done in accordance with Nevada law, regulations and permit conditions rests with the mining company.

The mining industry has supported that proposition since 1989 when this body adopted the state reclamation act and it has continued to support the proposition as the State Environmental Commission has repeatedly strengthened the regulations authorized by the statute over the years.

Some of the relevant changes to the regulations that address corporate guarantees are:

- Provide for annual or more frequent review of the financial health of mining companies qualifying for a corporate guarantee.
- Provide that the agency overseeing corporate guarantees has the flexibility to adjust the amount of reclamation obligation that may be covered by corporate guarantee.
- Require that all financial information be certified according to U.S. Generally Accepted Accounting Principles.

Most of these changes to regulation were done in October of 2001 – just over a year and a half ago.

While there is no question that the corporate guarantee program for mining in Nevada was in need of an overhaul prior to these regulatory changes, I submit that there is nothing to suggest today that the program is in need of further changes to achieve our common desire that the public be protected from reclamation liability. In other words, the current Nevada program with its strict review requirements and acceptance procedures, all under the control of the state, is not broken. The Nevada Mining Association supports the existing law and regulations as they are today.

However, there are other considerations that cause us to strongly support the existing law and avoid removal of corporate guarantees as an important, viable form of financial assurance.

The commercial surety market for financial assurance instruments is not a healthy market. That has been the case since the summer before the terrorist attacks of September 11, 2001 and ensuing failures of several major corporations (unrelated to mining) and general conditions in the world economy. Since that time, many businesses in need of surety and insurance, have found the market to be less open and resilient than it once was. This is certainly true in the area of reclamation bonding for mining, including hard

rock mining; as we do here in Nevada, coal mining and oil and gas drilling.

The market is very constrained today and the cost of alternatives is high. To eliminate the corporate guarantee as a viable financial assurance mechanism for companies capable of meeting Nevada's very high standards for qualification would only put more pressure on the commercial surety market, making commercial instruments even less available and more costly.

In conclusion, the Nevada Mining Association believes the existing law and regulations governing corporate guarantees are not in need of the changes prescribed in AB 321.

Thank you.