



Flash Report – Brazil’s Mining Industry – Changes to the National Dam Safety Plan - September 2020

SUMMARY:

Aiming to increase security and boost investments in the Brazilian mineral sector, the Upper House of Congress passed bill # 550 of 2019 which brings in changes to the National Dam Safety Plan (PNSB). While pending approval by Brazil’s Lower House, the bill includes new environmental regulations, taxes and fines obligations, restrictions on mining dam operations and a requirement by all mining companies (national and international) to put Emergency Action Plans in place, for instance. The bill aims to enhance environmental protection requirements in order to avoid tragedies such as the recent dam collapse in Mariana (2015) and Brumadinho (2019). Despite the increasingly stringent environmental laws, this passed bill seems to be positive and should open up opportunities to Canadian companies that are well placed to share expertise on innovative mineral processes and construction technologies through partnership agreements with local engineering firms to secure and to accelerate approval of mining operational licenses.

MOST RELEVANT CHANGES TO THE NATIONAL DAM SAFETY PLAN:

- In the case of a dam collapse, the new rules created more agile ways to compensate victims and punish those responsible, defining as well the amount of fines that must be paid by mining companies.
- Environmental obligations covering mining dams were also included in the bill. As well, sanctions on mining companies not following these obligations were tightened, including the expiry of their mining concession permits.
- The bill also obliges mining exploration companies to continue paying the Financial Compensation for the Exploration of Mineral Resources Tax/CFEM to the municipalities where they are located, even after the shutdown of their mining operations due to failures and/or operational problems.
- Mining exploration companies (both local and international) must also put in place an Emergency Action Plan to address potential major accidents or mining dam failures.
- Also, this passed bill prohibits the installation of dams located less than ten kilometers upstream from communities and/or water reservoirs used for human consumption.



OPPORTUNITIES IN THE BRAZILIAN MINING SECTOR:

- Brazil is one of the world's leading mineral producing nations and a major importer and exporter of minerals. A recent survey carried out by Brazil Mineral magazine flagged potential investments of US\$26.3 billion in Brazil until 2023, mainly in iron-ore, gold, copper, nickel, zinc, bauxite, manganese, fertilizer, lithium, rare-earth and vanadium projects. Most of these planned investments – US\$8.6 billion – will be directed to iron-ore, followed by copper and gold projects with potential investments of US\$2.3 billion and US\$1.6 billion respectively.
- The mining sector remains one of the main elements driving the Brazil/Canada bilateral trade in goods, especially gold imports from Brazil to Canada in recent months which have made the overall trade relationship relatively resilient when compared with other trade relationships during the same period, given how international trade around the world has been on a downwards trend since the beginning of the COVID-19 pandemic in March 2020. Brazilian gold exports to Canada rose from US\$340 million in 2018 to US\$988 million in 2019. In the first semester of this current year, the amount of gold exported to Canada was slightly over US\$1.1 billion, as per the Brazilian Ministry of Industry, Foreign Trade and Services (MDIC) in Brazil's Ministry of Economy.
- This passed bill will boost the use of automation and robotic solutions, artificial intelligence and integrated systems by mining companies in order to protect the environment, thereby transforming the Brazilian mining sector by enhancing productivity, security and monitoring, as well as overall profitability of operations. The mining industry in Brazil continues to integrate these technologies (Industry 4.0), which should make mining safer and more productive. A virtual PDA event on Machine Learning, Remote Control and Artificial Intelligence to promote partnership agreements between Brazil/Canada will take place in the margins of EXPOSIBRAM Amazônia Mining trade show by the end of November 2020. Canadian companies offering innovative and specific niche solutions in those areas may find opportunities in the Brazilian mining sector.
- According to the National Mining Agency/ANM, there are 700+ mining dams currently operating in Brazil. Among them, 218 have been classified as high risk by the Agency and must implement civil engineering and structural works, with a view to precluding any further collapses.
- As well, there are 84 upstream dams that must be decommissioned as per ANM by February 2022 as they are no longer allowed in Brazil since the Brumadinho dam burst in January of last year. The technical impracticability of de-characterization of the upstream dams and the obligation to effect rapid structural improvements on dams classified as high-risk within the envisaged term will create opportunities for Canadian engineering firms in this local market.



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COMMENTS:

- The Canadian Embassy in Brasília has been facilitating dam safety policy talks between the Brazilian Government and the Canadian Dam Association just after Brumadinho dam burst since January 2019.
- Although it is a very sensitive topic due to the recent catastrophes in Mariana and Brumadinho and aiming to further protect the environment, the bill is expected to be approved by Brazil's Lower House.
- If approved, Canadian companies as well as other mining players operating in the country will be affected overall as the bill will certainly make the implementation of new mineral exploration projects in Brazil even more restrictive.
- Also, the bill will enhance the cooperation agreement signed by the Brazilian Mining Association (IBRAM) and the Mining Association of Canada (MAC) in September 2019, aimed at implementing Canadian sustainable mining principles (Towards Sustainable Mining Principles) in the Brazilian mining sector.

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