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**Testimony of Cleveland-Cliffs Inc. before  
The House Committee on Natural Resources  
Hearing on SB 390 (Casperson)**

Good morning, Chairman Howell and members of the Committee. My name is Ania Ediger and I serve as Manager of Government Affairs for Cleveland-Cliffs Inc. I am joined today by my colleague Mike Long, Director of Environmental Affairs for Cliffs. We are here today to provide background on Cliffs' presence in Michigan and speak to the objectives of Senate Bill 390.

Cleveland-Cliffs has been operating continuously in Michigan since 1847 and we are proud to have celebrated the company's 170<sup>th</sup> Anniversary just last year. Cliffs' Michigan operations are comprised of two iron ore mines in Marquette County – the Empire and Tilden Mines. In 2016, after over 50 years of operation, the Empire Mine effectively ran out of economically available ore and Cliffs had no choice but to indefinitely idle the facility. While the Empire Mine is not currently operational, Cliffs is preserving the Empire assets should a shift in market conditions and Cliffs' pellet needs dictate an investment in future iron ore production at Empire. The Tilden operation, by contrast, has a long mine life and is among Cliffs' flagship U.S. operations. Tilden and its associated facilities employ over 900 workers in the Upper Peninsula, with an estimated annual economic impact totaling \$443 million.

It is Cliffs' priority to build on the legacy of iron ore mining that has been established over the long life of this company, preserve the competitive position of our mines and operate responsibly for the benefit of the communities we call home.

It is in this spirit that Cliffs began to work with the Michigan Department of Environmental Quality (DEQ) on an effort related to financial assurance regulations that resulted in the development of SB 390. This legislation proposes to amend the Tax on Low-Grade Iron Ore (more commonly known as the "specific ore tax") to reallocate the portion of funds that currently go to the state school aid fund in order to accomplish two objectives: (1) establish a ferrous mineral reclamation fund, and (2) support Marquette County schools that have been impacted by the indefinite idle of the Empire Mine. Mike Long will describe the need and merits of establishing the reclamation fund and we will defer to the testimony of Marquette County school superintendents here today to speak to the impact of this funding for their schools and educational programming.

The ferrous mineral reclamation fund envisioned through SB 390 would be established as a form of financial assurance, and would exist for DEQ to support closure and

reclamation of Cliffs' Empire and Tilden operations if, and only if, Cliffs would be unable to do so at some point in the future. You should know that nothing about SB 390 changes the fact that it is Cliffs' responsibility to conduct closure and reclamation activities at the operations and that the fund will exist solely as a backstop to protect Michigan taxpayers from paying for these costs if Cliffs is no longer viable.

Furthermore, only the portion of specific ore taxes that flow to Lansing will be re-allocated to support the reclamation fund and Marquette County Schools, meaning the localities that rely on specific ore tax revenues will not be adversely affected by SB 390. In fact, enactment of SB 390 will ensure that more revenues stay in Marquette County as compared to the status quo.

SB 390 dictates that the fund will accrue resources up to an amount that matches the liability of the iron ore operations, a figure that DEQ will need to approve in an agreement which will govern the management of this fund. It is Cliffs' expectation that based on the predicted mine life, the fund will accrue sufficient resources to fully account for closure and reclamation. In the more likely event that the funds are not used, the balance of the reclamation fund will be returned to the school aid fund when all active iron ore mining permits are terminated.

This initiative to strengthen Michigan's financial assurance program for iron ore mining began as a response to federal financial assurance regulations that were under development last year. Since that time, the federal regulatory threat has abated under a new administration. However, Cliffs believes that federal financial assurance for hardrock miners will continue to be the subject of litigation and cause uncertainty for the iron ore sector. Thus, strengthening the state's financial assurance program in this manner will protect against the threat of future EPA mandates and will shield the taxpayers of *this* state against having to incur ferrous mineral closure and reclamation expenditures.

For Cleveland-Cliffs, the regulatory certainty provided by the establishment of this fund will strengthen the competitiveness of our Michigan operations. Last Friday, during a speech in Marquette County, Cliffs' Chairman, President and CEO, Lourenco Goncalves, announced that Cliffs is actively considering a significant investment in 3.5 million tons of new iron ore production capacity. Cliffs will decide between investing in Michigan's Upper Peninsula or in Minnesota, where we maintain three iron ore operations. Passage of SB 390 and the establishment of a ferrous mineral reclamation fund would provide a strategic advantage for our Michigan mines as it would engender regulatory and economic certainty -- critical considerations for a mining company

looking to make long-term investment decisions that will have decades-long implications.

Cliffs understands that Marquette County has raised questions about the potential that liability for the sites could fall to the County. It is our understanding that such a scenario is extremely unlikely given the legal regulatory framework currently in place. Both federal (CERCLA) and state (Part 201) regulations provide exceptions from liability for local government units that acquire property involuntarily. Furthermore, in the event of such an unlikely scenario, Marquette County would only be better off under SB 390 than they are today because the ferrous mineral reclamation fund would come into existence. Nevertheless, we are committed to working with Marquette County to address this and other concerns and would be willing to entertain reasonable amendments to provide the County with additional assurances.

In closing, we ask for this committee's support of SB 390, which is truly a U.P.-centric solution to challenges that are unique to the Upper Peninsula. This bill responds to the needs of western Marquette County communities and provides for future economic stability and growth through a portion of taxes paid exclusively by Cleveland-Cliffs.

Thank you for the opportunity to testify today. We would be happy to answer any questions.

