



Diamond Policy Framework

JCK 2019

Northwest Territories
Industry, Tourism and
Investment

Background

- Diamond Policy Framework established in 1999 shortly after the Ekati Diamond Mine began operations.
- Agreements with NWT diamond producers require them to offer 10% of their production to Approved NWT Diamond Manufacturers (ANDM) (estimated US \$150 M annually)
- Under 1999-2018 policy, ANDM were required to manufacture all diamonds purchased under these agreements in the NWT
- Despite some early successes, the previous policy had not been successful in creating an operating environment for the secondary industry to flourish



Operating Environment

- The NWT is the most expensive jurisdiction in which to operate a manufacturing facility
- Existing and potential manufacturers have indicated that the prohibitive operating costs are the principal barrier to successful manufacturing operations in the NWT
- Despite these costs, manufacturers continue to show interest in NWT manufacturing opportunities



Vision

- Maximize the asset by leveraging the agreements with producers to support a diversified secondary industry
- Create a diversified and sustainable environment for investment; diamond manufacturing will be a component, not the key to the secondary industry success
- Population growth and skill development, driven by diverse industry opportunities including tourism development, retail investment, jewellery manufacturing and high-skill diamond planning centres will be the key drivers



Policy Review

- An international subject matter expert was required
- The Constell Group, an international consultancy firm, was contracted to help identify policy options that could be considered
- Reviews undertaken of other beneficiation regions
- Consultation with producers, manufacturers , GNWT



New Ideas

- Adopt an export provision for NWT rough
- Explore the concept of “beneficiation versus allocation” - allowing an investor to export NWT diamonds contingent upon an appropriate diverse investment in the NWT
- Encourage high-value, high-skill diamond planning and lasering operations
- Re-visit the ITI branding strategy
- Consider the concept of a Combined Manufacturing Unit (CMU)
- Training Centre - explore the development of a training centre (local and international participants)



New Ideas

- **Export Provision**

- An export provision is critical to any secondary success in the NWT, the volume of export would be directly tied to level of investment in the NWT
- This would enable ANDM to sustain a manufacturing operation in the NWT – manufacture higher quality rough in the NWT – export a portion to a lower cost manufacturing center

- **Diverse Investment**

- An investment that provides a service, trains or employs workers, results in the construction or expansion of particular facilities or involves the carrying out of research and development in the NWT (e.g. a Jewellery Retail business, a Diamond Tourism initiative or an Interpretive Centre). The eligibility of any diverse investments will be evaluated on a case by case basis.



New Operating Environment

- ITI will allow manufacturer to export a portion of their allocation based on their business proposal
- ITI worked with internal SMEs (economists / trade experts) and with Constell to develop investment assessment parameters and the associated matrix
- The matrix assesses weighted key drivers to determine the volume of rough that can be exported
- ANDM must meet minimum standards to be eligible for the export provision

Assessment

- To be eligible for export, an ANDM must provide a business plan that meets investment requirements



Matrix Key Drivers

Driver		Points
Employment (FTE)		40
Diamond Industry	(30)	
Diverse Investment	(10)	
Operating Expenses		25
Capital Expenditure		20
Diverse Investment		15
Total		<u>100</u>



Assessment and Export

	Score	Export
a.	> 95	90%
b.	85 -94	85%
c.	70 – 84	80%
d.	55 – 69	75%
e.	30 – 54	70%

- 30-54 is the minimum required score in order to qualify for export

Note: The maximum an ANDM can score without diverse investment is 80% export

