What is financial assurance?
Financial assurance is a requirement for the mine permittee to set aside money to ensure that there are sufficient funds for the state to 1) complete reclamation, if the company fails to do so and 2) complete corrective actions in the event the company fails to resolve any noncompliance with the permit to mine.

Under Minnesota Rules, financial assurance can be provided in various forms and mechanisms and must meet the following criteria: be sufficient to cover reclamation costs, payable and available to the DNR when needed, enforceable under law, not dischargeable through bankruptcy, and approved by the DNR commissioner. DNR’s draft permit to mine for the NorthMet Mining Project would require a combination of financial assurance instruments, including surety or reclamation bonds, irrevocable letters of credit, a trust fund, and cash.

Financial assurance estimates would be evaluated and approved by the DNR on a yearly basis to determine any necessary adjustments.

How is financial assurance addressed in the draft permit to mine?
The draft permit to mine contains special conditions related to financial assurance (Attachment 2 of the draft permit). These special conditions establish the procedures for determining financial assurance requirements throughout the life of the mine and for long-term treatment obligations.

How were financial assurance cost estimates in the draft permit developed?
The DNR and its consultants worked to ensure that the cost estimates cover all the required financial assurance obligations. This included extensive analysis of all aspects of the project to calculate detailed reclamation and long-term treatment costs. Details related to this analysis are reflected in Appendix A of the special conditions.

How much financial assurance would be required before issuance of a permit to mine?
The draft permit to mine would require $75 million in financial assurance prior to issuance of a permit. This amount would provide the financial assurance needed for the construction phase of the project and legacy liabilities of the former LTV site that would be assumed by PolyMet. The construction phase is currently estimated to be two years. The $75 million in financial assurance prior to permit issuance would include $10 million cash deposited to a trust fund and $65 million in irrevocable letters of credit and/or bonds.
What is the estimated financial assurance obligation for Mine Year 1? 
In accordance with MN Rules 6132.1200, financial assurance is reviewed and updated annually, in advance of the upcoming year’s obligations. The DNR currently estimates that the financial assurance obligation at Mine Year 1 would be $544 million. However, as outlined in the special conditions of the draft permit to mine, the DNR would require sufficient coverage through Mine Year 2 prior to commencement of mining. The DNR currently estimates that the financial assurance obligation for Mine Year 2 would be $588 million. Therefore, assuming this number did not change, the company would be required to provide $588 million in financial assurance prior to commencement of mining. This financial assurance would be in the form of cash in the trust fund, irrevocable letters of credit, and bonds.

When is the greatest amount of financial assurance needed, and how much would this be? 
Based on the current mine plan, the greatest obligation for reclamation and long term water treatment costs would occur at Mine Year 11 and is estimated at $1.039 billion. Both the amount and the timing of the greatest financial assurance obligation would be subject to change based on actual operations and would be evaluated annually.

How much financial assurance would be needed for long-term water treatment once mining is complete? 
Based on the proposed mine plan, DNR currently estimates that $580 million would be needed in a trust fund to manage long-term water treatment once mining is completed. This estimate would be reviewed by the DNR on an annual basis throughout the life of the mine. The special conditions in the draft permit to mine outline how the trust fund would be built up prior to the end of mining, including changes in the mix of financial assurance instruments over time.

Would PolyMet’s financial assurance cover a catastrophic event? 
In addition to the financial assurance provided to the DNR, PolyMet would be required to maintain environmental liability insurance coverage during the term of the permit to mine. This insurance would cover sudden, accidental, or gradual pollutant releases from project. DNR’s financial assurance estimates also include the cost for the DNR to maintain an environmental liability insurance policy in the event PolyMet failed to do so.