

BACKGROUND INFORMATION

for the

INITIAL FEDERAL PUBLIC COMMENT PERIOD

on the

**Comprehensive Study pursuant to the
*Canadian Environmental Assessment Act***

of the

Raven Underground Coal Project

Near

Buckley Bay, British Columbia

Proposed by:

Compliance Coal Corporation

Prepared by:

Canadian Environmental Assessment Agency

Canadian Environmental Assessment Registry Reference Number: 10-03-55529

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List of Abbreviations

CEA Act	<i>Canadian Environmental Assessment Act</i>
CEAR	Canadian Environmental Assessment Registry
dAIR	draft Application Information Requirements
DFO	Fisheries and Oceans Canada
EA	Environmental Assessment
EAO	British Columbia Environmental Assessment Office
EIS	Environmental Impact Statement
km	kilometre(s)
PAPA	Port Alberni Port Authority
RA	Responsible Authority
t	Tonnes

1.0 INTRODUCTION AND PURPOSE

The Canadian Environmental Assessment Agency (the Agency) has received and accepted a Project Description for the Raven Underground Coal Project near Buckley Bay on Vancouver Island, British Columbia, proposed by Compliance Coal Corporation (the Proponent). The Proponent proposes to construct and operate an underground coal mine, with transportation of coal to Port Alberni for shipment by freighter, including development of coal storage and ship-loading facilities on port land leased from the Port Alberni Port Authority (PAPA). Based on a review of the project description, the Agency has determined that the project, as described by the proponent, is subject to the *Comprehensive Study List Regulations* and that an environmental assessment of the Raven Underground Coal Project is required.

The Agency must provide an early opportunity to the public to comment on the project and the conduct of the environmental assessment. The purpose of this document is: 1) to inform the public about the project, and the parameters of the environmental assessment, and 2) to solicit feedback from the public on the conduct of the environmental assessment.

The primary objective of federal environmental assessment is to ensure that a project is considered in a careful and precautionary manner in order to ensure that it will not result in significant adverse environmental effects. The federal environmental assessment process aims to promote sustainable development and thereby achieve or maintain a healthy environment and economy, promote communication and cooperation among federal and provincial agencies, as well as with Aboriginal peoples, and provide opportunities for timely and meaningful public participation.

At this time the Agency is in the early stages of identifying the potential environmental effects of the project that should be examined during the detailed technical stages of the environmental assessment. The Agency is seeking comments from the public to ensure that the potential effects that might result from the project are identified for consideration as part of the assessment process. A notice of this Aboriginal and public comment opportunity has been posted to the Agency's website and comments will be received until September 20, 2010. Additional detail on the current comment period is included in Section 7.1.

2.0 PROJECT SUMMARY

The Raven property is owned by Compliance Coal Corporation (60%); I-Comox Coal Inc., a subsidiary of Itochu Corporation (20%); and LG International Investments (Canada) Ltd. (20%). The three companies have formed a Joint Venture, the Comox Joint Venture, for the purpose of exploring and developing their coal and mineral interests on Vancouver Island. Compliance Coal Corporation (the Proponent) has been nominated the manager of the Comox Joint Venture.

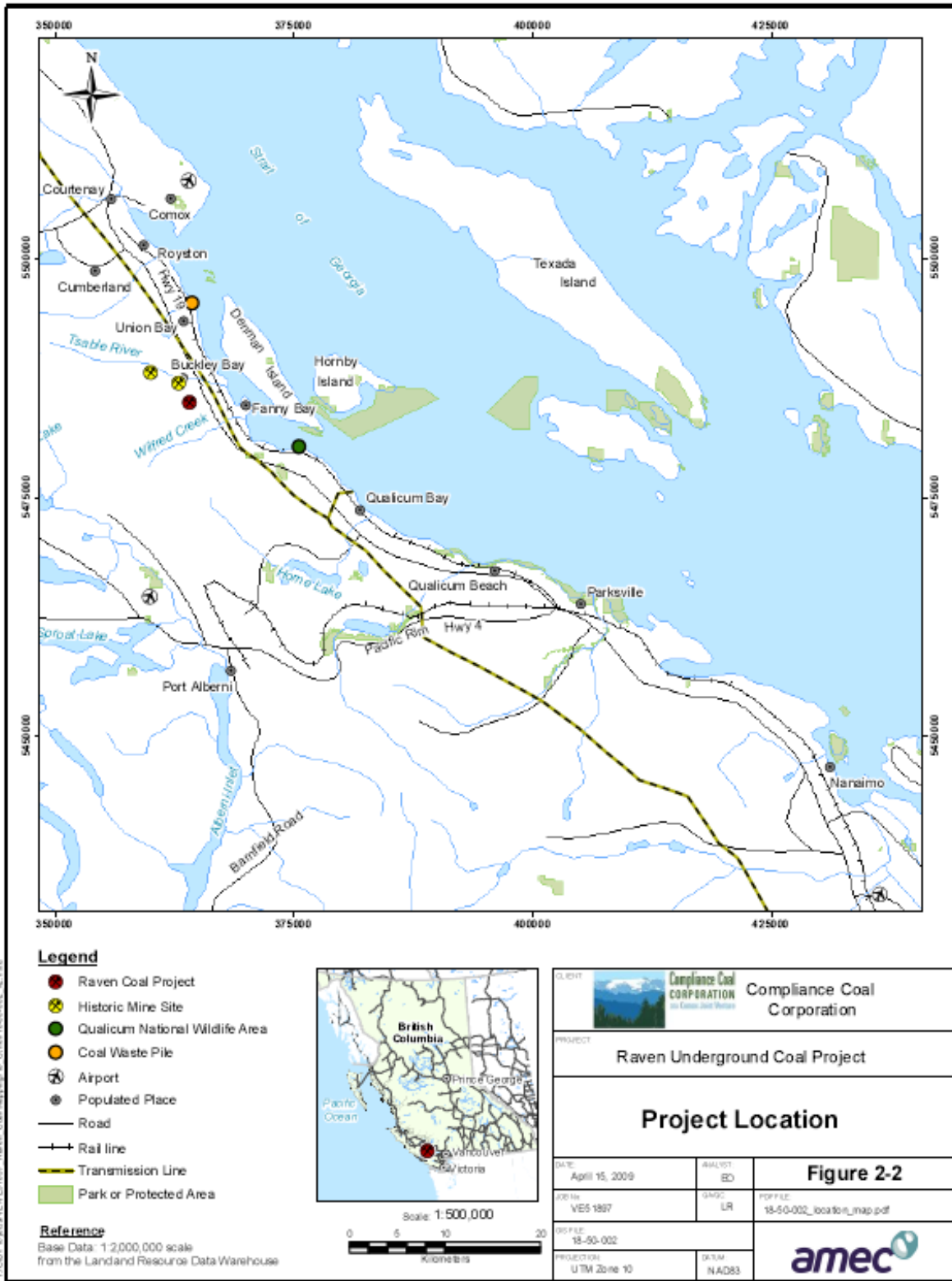


Figure 1. Regional Setting for the Project (from Raven Underground Coal Project – Project Description Addendum, February 2010)

Compliance Coal Corporation (doing business as the Comox Joint Venture) proposes the development of an underground coal mine, including a coarse and fine rejects rock dump, located near Buckley Bay, approximately 20 kilometres south of Courtenay on eastern Vancouver Island, British Columbia (Figure 1). The proposed development would have a surface footprint of about 200 hectares. The Proponent estimates that the proposed development would produce 44 million metric tonnes of raw coal and rock over about 20 years (average of 2.2 million tonnes per year) to produce between 1.0 and 1.5 million tonnes of saleable coal per year. It is estimated that mining activities would generate approximately 1,000,000 cubic metres of fine rejects and 9,000,000 cubic metres of coarse rejects during the life of mine. The majority of the proposed surface development would occur within the Cowie Creek drainage basin, which flows into Fanny Bay of Baynes Sound. Compliance Coal Corporation proposes to transport coal from the mine by truck on existing highways 80 km south to the port of Port Alberni. Port upgrading works at Port Alberni are to be conducted by the proponent to enable shipment of coal offshore.

In accordance with the Cabinet Directive on Improving the Performance of the Regulatory System for Major Resource Projects, the proposed project has also been identified as a “*major resource project*” due to its complexity and multi-jurisdictional nature. Therefore, the proposed Project is also subject to review in accordance with the federal major projects review initiative. Additional information on the Major Resource Project initiative is available from the Major Projects Management Office (MPMO) at www.mpmo-bggp.gc.ca.

Additionally, the proposed Project is also subject British Columbia’s *Environmental Assessment Act* and a cooperative federal and provincial assessment process will be conducted in accordance with the principles outlined in the 2004 *Canada-British Columbia Agreement for Environmental Assessment Cooperation*. Further details on the proposed project and the provincial environmental assessment requirements are available from the British Columbia Environmental Assessment Office (EAO) at http://a100.gov.bc.ca/appsdata/epic/html/deploy/epic_project_home_351.html.

3.0 REQUIREMENT FOR A FEDERAL ENVIRONMENTAL ASSESSMENT

3.1 The Canadian Environmental Assessment Act

Under section 5 of the CEA Act, a federal EA may be required when, in respect of a project, a federal authority:

- is the proponent;
- makes or authorizes payment or any other form of financial assistance to the proponent;
- sells, leases, or otherwise disposes of lands; or
- issues a permit, license, or other form of approval pursuant to a statutory or regulatory provision referred to in the *Law List Regulations*.

Based on a review of the project description and discussion with federal authorities, the Agency has concluded that an environmental assessment under the Act is required on the basis of the following:

- Fisheries and Oceans Canada (DFO) may issue authorizations for works or undertakings associated with the Project; and,
- The Port Authority of Port Alberni (PAPA) may make federal lands available to allow the project to proceed.

In addition to these responsible authorities (RA), Environment Canada, Natural Resources Canada, and Health Canada will provide specialist or expert advice on specific aspects of the potential environmental effects of the proposed project.

3.2 Comprehensive Study List Regulations

The Agency has determined that the coal production capacity of the project, as described by the proponent, is subject to a comprehensive study pursuant to Section 16(d) of the Comprehensive Study List Regulations of CEEA, which requires a comprehensive study for the proposed construction, decommissioning, or abandonment of a coal mine with a coal production capacity of 3000 t/d or more.

3.3 Factors to be considered in a federal comprehensive study

The scope of assessment identifies the factors that are proposed to be considered in the environmental assessment and the proposed scope of those factors. The Agency is required to consider the factors specified in section 16 of the CEA Act, taking into consideration the definitions of “environment”, “environmental effect”, and “project” prior to the Government of Canada making a decision regarding whether to take action (e.g., grant funding, disposal of land, or issuance of a permit or authorization) that would permit the project to proceed.

As defined under the CEA Act, “environmental effect” means, in respect of a project:

- a) any change that the project may cause in the environment, including any change it may cause to a listed wildlife species, its critical habitat or the residences of individuals of that species, as those terms are defined in subsection 2(1) of the Species at Risk Act,*
- b) any effect of any change referred to in paragraph (a) on*
 - i) health and socio-economic conditions,*
 - ii) physical and cultural heritage,*
 - iii) the current use of lands and resources for traditional purposes by aboriginal persons, or*
 - iv) any structure, site or thing that is of historical, archaeological, paleontological or architectural significance, or*
- c) any change to the project that may be caused by the environment, whether any such change or effect occurs within or outside Canada.*

Under section 16 of the CEA Act, the following factors must be considered in an EA conducted as a comprehensive study:

- The environmental effects (as defined above) of the project, including the environmental effects of malfunctions or accidents that may occur in connection with the project and any cumulative environmental effects that are likely to result from the project in combination with other projects or activities that have been or will be carried out;
- The significance of the environmental effects;
- Comments from the public obtained in accordance with the CEA Act;
- Measures that are technically and economically feasible and that would mitigate any significant adverse environmental effects of the project;
- The purpose of the project;
- Alternative means of carrying out the project that are technically and economically feasible and the environmental effects of any such alternatives;
- The need for, and the requirements of, any follow-up program in respect of the project;
- The capacity of renewable resources that are likely to be significantly affected by the project to meet the needs of the present and those of the future; and
- Any other matter relevant to the comprehensive study, such as the need for the project and alternatives to the project that the responsible authorities may require to be considered.

Under section 79 of the *Species at Risk Act*, the responsible authorities also must identify adverse effects of the project on listed species and their critical habitat or residences. The responsible authorities must also ensure that measures are taken to avoid or lessen adverse effects and that effects are monitored. Mitigation measures must be consistent with recovery strategies and action plans for the species.

3.4 The Canadian Environmental Assessment Agency

In addition to performing the duties and functions of the responsible authority until it submits an EA report to the Minister of the Environment, the Agency will act as the Federal Environmental Assessment Coordinator and as the Crown Consultation Coordinator for the environmental assessment of the Raven Underground Coal Project.

4.0 JOINT CANADA-BC ENVIRONMENTAL ASSESSMENT PROCESS

The Project requires an Environmental Assessment Certificate pursuant to the British Columbia *Environmental Assessment Act* because it is: *A new mine facility that, during operation, will have a production capacity of $\geq 250\,000$ tonnes/year of clean coal or raw coal or a combination of both clean coal and raw coal (BC Environmental Assessment Act Reviewable Projects Regulation)*. The federal and provincial environmental

assessments will be conducted in accordance with the terms of the *Canada-BC Agreement on Environmental Assessment Cooperation (2004)*. Under this Agreement, projects that require an environmental assessment by both the Government of Canada and the Government of British Columbia undergo a single, cooperative assessment, where possible, to meet the environmental assessment requirements of both levels of government. Figure 2 outlines the main process steps of a coordinated environmental assessment as well as the main federal and provincial milestones. While every attempt is made to ensure a single environmental assessment process, it is important to keep in mind that each government will make project-related decisions on matters within its own legislative authority.

5.0 OVERVIEW OF THE COMPREHENSIVE STUDY ENVIRONMENTAL ASSESSMENT PROCESS

Taking into consideration any public comments received on the proposed scope of the federal environmental assessment (public comment period 1 in Figure 2), the federal government will contribute to the preparation of the provincial draft Application Information Requirements (dAIR) to guide the proponent's preparation of an environmental impact statement (EIS). Following submission of the EIS, an EA report documenting the provincial and federal conclusions on the environmental effects of the project will be prepared after the EIS has been reviewed and analysed. Upon completion, the EA report will be submitted to the Minister of the Environment and to the Canadian Environmental Assessment Agency and will be made available for public comment prior to the Minister of the Environment's decision under section 23 of the Act.

In addition to this current opportunity for public comment and the opportunity to comment on the EA report (1 in Figure 2), the public will also be provided an opportunity to review and comment on the draft Application Information Requirements document (2 in Figure 2) and the EIS, once an acceptable version has been submitted by the Proponent (3 in Figure 2).

The federal Minister of the Environment's decision will be based on an evaluation of the significance of environmental effects as presented in the EA Report and any public comments submitted on that report (4 in Figure 2). The Minister may request additional information or require that public concerns be further addressed before issuing the environmental assessment decision statement.

The environmental assessment decision statement sets out the Minister's opinion as to whether the project is or is not likely to cause significant adverse environmental effects, taking into account the implementation of any mitigation measures and follow-up programs that the Minister considers appropriate. Once the Minister has issued the environmental assessment decision statement, the project will be referred back to the responsible authorities (Fisheries and Oceans Canada and the Port Authority of Port Alberni) for appropriate action, which may include issuing authorizations or provision of federal land in order for the project to proceed.

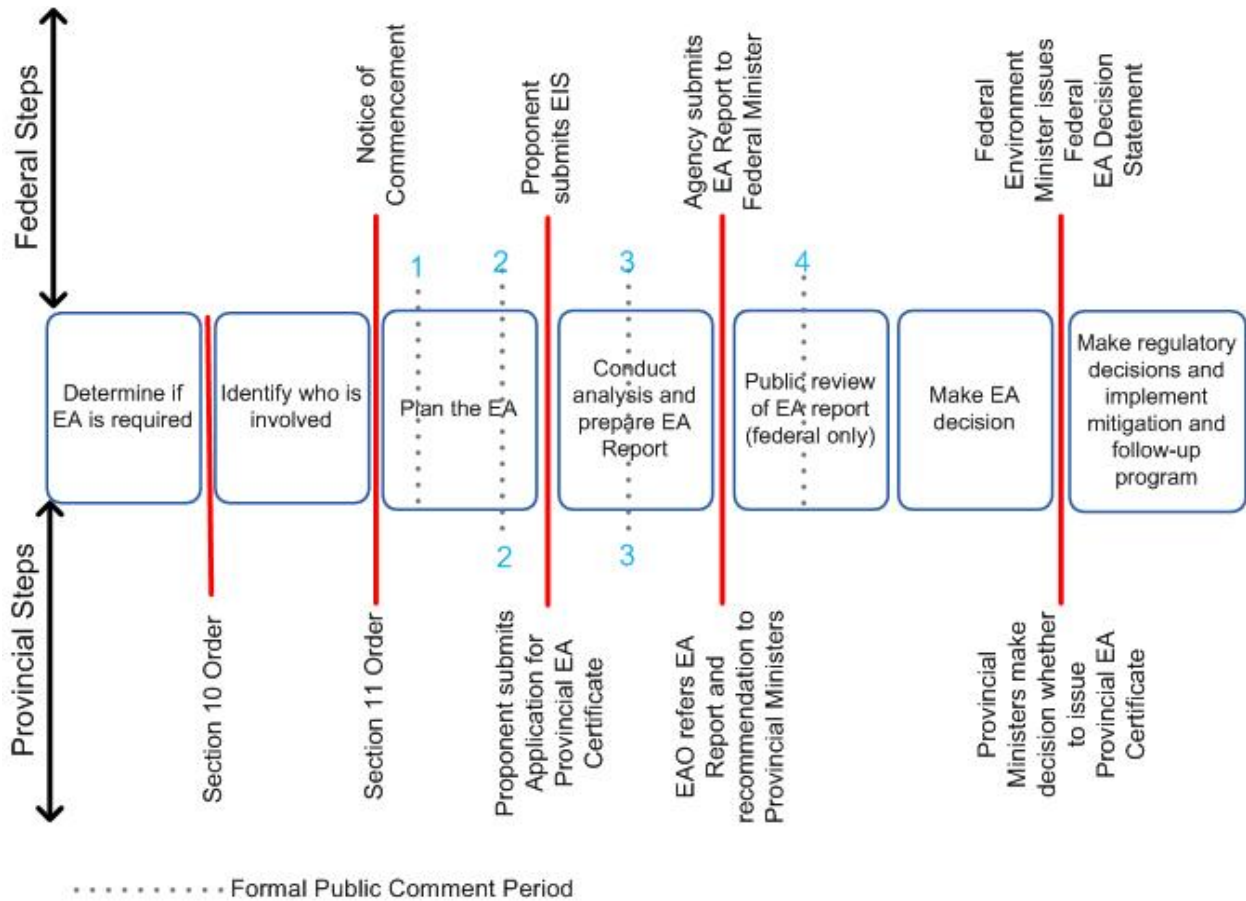


Figure 2: Overview of the coordinated BC-Canada EA process for the Raven Project outlining opportunities for public comment.

Note:

- 1 = Initial public comment period on scope and conduct of comprehensive study (federal only).
- 2 = Draft Application Information Requirements public comment period (provincially organized with federal participation).
- 3 = Environmental Impact Statement public comment period (provincially organized with federal participation).
- 4 = EA report public comment period (federal only).

6.0 FACTORS TO BE ASSESSED IN THE ENVIRONMENTAL ASSESSMENT OF THE RAVEN UNDERGROUND COAL PROJECT

6.1 Scope of Factors

The following is the proposed scope of factors to be considered through the comprehensive study of the Raven Underground Coal Project.

Table 1. Proposed Scope of Factors

Environmental Component	Scope of Review
Terrestrial Physical Environment	<ul style="list-style-type: none"> • Freshwater quality • Hydrology • Hydrogeology • Air quality • Climate and meteorology • Terrain, soils and geology • Light & Noise Emissions • Natural hazards
Terrestrial Biological Environment	<ul style="list-style-type: none"> • Vegetation and plant communities • Wetlands • Wildlife and wildlife habitat • Ecologically sensitive or significant areas, species of conservation concern, including species at risk and their habitats • Freshwater aquatic environment (e.g. aquatic life, fish and fish habitat) • Migratory birds and their habitats
Marine Physical Environment	<ul style="list-style-type: none"> • Water quality • Marine/coastal processes (erosion, sedimentation) • Navigation • Air Quality • Natural Hazards
Marine Biological Environment	<ul style="list-style-type: none"> • Marine aquatic environment (e.g. aquatic life, fish and fish habitat) • Ecologically sensitive or significant areas, species of conservation concern, including species at risk and their habitats
Human Environment (i.e. indirect effects resulting from a direct change in the environment)	<ul style="list-style-type: none"> • Current use of lands and resources for traditional purposes by Aboriginal persons • Navigable waters • Fisheries (including aquaculture) • Human health (e.g. noise, drinking water quality, country foods) • Physical and cultural heritage • Structures/sites of archaeological significance

6.2 Additional Matters to be considered in the Raven environmental assessment

Spatial and Temporal Boundaries

The spatial boundary will be determined specific to each factor in order to effectively assess the potential environmental effects of the project. Spatial boundaries are based on the zone of the proposed project's influence beyond which the effects of the project are expected to be non-detectable. Multiple study area boundaries are to be employed to reflect the range of geographic areas and seasonal/annual fluctuations within which specific effects may be experienced.

The temporal boundaries will encompass the entire lifespan of the Project, which is the duration of use until it is deemed necessary to be decommissioned. The EA will discuss the effects of the Project on each factor beginning with the construction phase and throughout the operations phase, including maintenance and/or modifications, and through to the completion of the decommissioning phase. However, it should be noted that the temporal boundary for certain components of the project, such as mine waste stockpiles and treatment/tailings management ponds/facilities, will extend into the closure and reclamation phase of the project, as appropriate. Potential malfunctions and accidents that could occur during any project phase will also be considered, along with the likelihood and circumstances under which these events could occur.

Cumulative Environmental Effects

The evaluation of potential cumulative environmental effects will focus on the interaction between the residual environmental effects of the project and the environmental effects of other past, present or reasonably foreseeable future projects or activities. The cumulative effects assessment will include, but not necessarily be limited to: existing industrial projects; other proposed developments; other land and resource use activities (forestry, hunting, trapping, fishing); and tourism and recreation activities.

Need for and Purpose of the Project

The environmental assessment will include a description of the need for and purpose of the project. The "need for" the project is defined as the problem or opportunity that the proposed project is intending to solve or satisfy. The "purpose of" the project is defined as what is to be achieved by carrying out the project. The "need for" and "purpose of" the project will be established from the perspective of the Proponent.

Comments from the Public

Comments from the public that have been received in accordance with the CEA Act will be considered by the responsible authorities and the Minister of the Environment. A record of how comments have been considered and incorporated into the environmental assessment will be prepared.

Mitigation Measures

Mitigation means, in respect of a project, the elimination, reduction or control of the adverse environmental effects. The environmental assessment will be used to identify mitigation measures that are technically and economically feasible and would mitigate identified adverse environmental effects arising from the proposed project.

Environmental Effects Analysis and Significance of Environmental Effects

The federal environmental assessment will include an evaluation of the nature and extent of the residual adverse environmental effects after applying mitigation and whether the adverse environmental effects are likely to be significant.

Alternative Means of Carrying out the Project

The environmental assessment will include an analysis of the alternative means of carrying out the project that are technically and economically feasible, and the environmental effects of any such alternative means. A rationale for the preferred alternative will be included.

Effects of the Environment on the Project

In addition to evaluating the effects of the project on the environment, including cumulative environmental effects, changes to the project that may arise as a result of the environment will also be considered. This analysis will include consideration of natural hazards such as: extreme weather events (lightning, extreme precipitation, flooding, wind, avalanches and icing); seismic events; fire; slope stability; and climate change. Proposed mitigation, including design strategies, will be considered in the evaluation of the effects of the environment on the project and the determination of their significance.

Sustainability of Renewable Resources

The environmental assessment will include consideration of the capacity of renewable resources that are likely to be significantly affected by the project to meet the needs of the present and those of the future.

Potential Accidents and Malfunctions

The environmental assessment will include consideration of the potential accidents, malfunctions and unplanned events that could occur in any phase of the project, the likelihood and circumstances under which these events could occur, and the environmental effects that may result from such events, should contingency plans not be fully effective.

Follow-up Program

The purpose of a follow-up program is to verify the accuracy of the environmental assessment and determine the effectiveness of mitigation measures. The environmental assessment will describe the follow-up program and its associated requirements.

7.0 PUBLIC PARTICIPATION

As outlined in Figure 2, public participation is a key component of the Environmental Assessment process. Public comment will also be sought on the Application Information Requirements (2 in Figure 2), the Environmental Impact Statement (3 in Figure 2), and the EA report (4 in Figure 2). Funding to support the participation of the public in the environmental assessment review process is made available through the Participant Funding Program. Notices of public comment opportunities will be posted on the Canadian Environmental Assessment Registry at <http://www.ceaa-acee.gc.ca>

7.1 Public comments at this time

At this time the Agency is in the early stages of identifying the potential environmental effects of the project that should be examined during the detailed technical stages of the environmental assessment. The Agency is seeking comments from the public to ensure that the potential effects that might result from the project are identified for consideration as part of the assessment process.

Persons wishing to submit comments may do so in writing to the Canadian Environmental Assessment Agency. Comments must be received by close of business day **September 20, 2010**.

Comments should be sent to:

Raven Underground Coal Mine
Canadian Environmental Assessment Agency
805-1550 Alberni Street
Vancouver BC V6G 1A5
Telephone: 604-666-2431
Fax: 604-666-3493
Email: Raven@ceaa-acee.gc.ca

Please be as detailed as possible and clearly reference the Raven Underground Coal Project and the Canadian Environmental Assessment Registry file number 10-03-55529 on your submission. Please note that all comments received are considered public and will become part of the public registry.

Public open houses will not be held as part of this initial federal public comment period. However, public open houses will be conducted during the draft Application Information

Requirements public comment period (2 in Figure 2), which is organized by the BC Environmental Assessment Office with federal participation. Details on this public comment period will be posted on the BC Environmental Assessment Office's website at: http://a100.gov.bc.ca/appsdata/epic/html/deploy/epic_project_home_351.html.

7.2 Participant Funding

The Government of Canada, through the Canadian Environmental Assessment Agency, will provide participant funding to successful applicants to assist groups and individuals to take part in the environmental assessment. This funding will be made available whether the environmental assessment proceeds by means of a comprehensive study, mediation or assessment by review panel. Information on the participant funding program, including the Participant Funding Program Guide and the application form are available at: www.ceaa-acee.gc.ca.

To receive funding, successful applicants must participate in the environmental assessment by reviewing and commenting on documents, preparing technical analyses, attending meetings or contributing by other means.

Notices regarding the availability of participant funding will be posted on the Canadian Environmental Assessment Registry internet site at www.ceaa.gc.ca under reference number [10-03-55529].

7.3 Canadian Environmental Assessment Registry

Pursuant to section 55 of the Act, the Canadian Environmental Assessment Registry (CEAR) has been established to provide notice of the environmental assessment and to facilitate public access to records related to the environmental assessment. The CEAR consists of a project file and an internet site. The internet component of the CEAR can be accessed at www.ceaa-acee.gc.ca under reference number 10-03-55529.

7.4 Aboriginal Consultation

The federal Crown's duty to consult and, where appropriate, accommodate Aboriginal groups arises when it contemplates conduct that might adversely impact potential or established Aboriginal or treaty rights.

Consultations that occur through the EA process will be used by the federal Crown to assist it in understanding Aboriginal groups' concerns and, as appropriate, in addressing those concerns.

The Agency is the federal Crown consultation coordinator for this EA, and as such, will work closely with federal authorities, the BC Environmental Assessment Office, the proponent and potentially affected Aboriginal groups, to coordinate consultation activities as much as possible.

At this time, the following Aboriginal groups have been contacted with respect to the federal environmental assessment of the Raven Underground Coal Project: K'ómoks First Nation, Qualicum First Nation, We Wai Kai First Nation, Wei Wai Kum First Nation;

Stz'uminus First Nation; Sliammon First Nation; Halalt First Nation; Lake Cowichan First Nation; Cowichan Tribes; Tseshaht First Nation; Hupacasath First Nation; Lyackson First Nation; Xwémalkhwu First Nation; Penelakut First Nation; Uchucklesaht Tribe, Ucluelet First Nation, Toquaht First Nation, Huu-ay-aht First Nation, and Ka:'yu:'k't'h/Che:k'tles7'et'h' First Nations, Métis Nation of British Columbia.

8.0 FURTHER INFORMATION

More information about the proponents and the proposed developments may be found on the Compliance Coal website:

http://www.complianceenergy.com/projects/raven_coal/index.shtml

More information on the federal EA process associated with the Project may be found on the Canadian Environmental Assessment Registry, at the following address:

<http://www.ceaa-acee.gc.ca/050/details-eng.cfm?evaluation=55529>

Additional information on the provincial EA of the Raven Underground Coal Project may be found on the BC Environmental Assessment Office website:

http://a100.gov.bc.ca/appsdata/epic/html/deploy/epic_project_home_351.html