

March 1, 2021

Executive Director's Message

SIMSA members,

The drive to Sustainability and ESG Reporting will be arriving in our supply chain soon. It is a parade we can either be in front of, within, or under. Simply put, Sustainability is a broad term for any company's efforts to "do better." A more focused report is Environmental Social and Governance or "ESG," as it spotlights three specific pillars that are crucial to today's business managers and investors. However, Sustainability and ESG are sometimes used interchangeably. Note, these topics include carbon reduction or "net zero" initiatives, and climate change.

As an example of the coming parade, in a February 2nd 2021 news item from Bloomberg, it was reported that, "Looking toward other 2021 goals, Nutrien is releasing a "comprehensive" environmental, social and governance plan in May that highlights a push into sustainability, Magro said. The plan will also include an idea of how much capital is needed for its goals." See [HERE](#)

Also, in the story [ESG becoming integrated into oil and gas supply chains](#) it is revealed that, "Bringing the supply chain on board is key to oil and gas operators meeting their ESG goals, as their service and supply partners are in the field doing the physical work and interacting with local communities."

This broad initiative is heavily driven by companies such as BlackRock – a company that manages over \$4 trillion in funds and influences/indexes over \$8 trillion. Notably, during my conversations with the owners for whom SIMSA members do work, BlackRock's CEO's – Larry Fink's - annual letter to CEOs is often mentioned by the owners.

The review of [Larry Fink's 2021 letter to CEOs](#) by GlobalScan, reveals what our owner clients have been hearing, will likely then following, and eventually expecting of us.

The 2021 BlackRock letter has a few key themes:

1. The start of a "tectonic shift" toward net zero
2. The inseparability of social and environmental issues
3. The critical importance of data and disclosure
4. The maturing connection between sustainability and financial performance

So, the key implications for our owner customers are (and thus eventually us):

1. Net Zero commitments are now a requirement
2. Diversity is now a business-critical issue
3. Understanding stakeholder perspectives is a crucial starting point (climate change is important, majorities in most countries want to see a restructuring of the economy post-pandemic, etc.)
4. An integrated, company-wide approach to sustainability will unlock progress
5. Transparency remains the thread underpinning all of Fink's requests

In short, sometime in the future during bid reviews, your Sustainability or ESG report will likely be as important as your safety report; it will be a critical item to be addressed. Some owners are also discussing the incorporation of your Sustainability or ESG report into the broader concept of safety, as it is perceived as "do no harm to people nor the environment." ESG will likely become like our safety culture.

Prior to COVID, this reporting was probably going to be a requirement for the supply chain in about 5-years. However, COVID accelerated a few things globally, one of which is the Sustainability or ESG reporting requirement - this could start showing-up as a requirement in as little as a year from now.

SIMSA represents over 230 companies supplying goods and services to the Saskatchewan, Canadian, and even world mining, energy, and industrial sectors. As such, we are part of a larger system including shareholders, resource companies, end-users, and the supply chain. We believe to be leaders in adapting to the needs of resource companies, whether it be increased safety protocols, Aboriginal inclusion, and digitisation. As our world is changing, we see transformative implications for all companies regarding ESG as well as Sustainability metrics – including the resource sector - and thus their supply chains.

As such, in our ongoing effort to be a world-class supplier of goods and services fulfilling the needs of industry, SIMSA has begun a review of the required changes and needs. In short, SIMSA will strive to provide services to all our members to encourage and assist them in becoming leaders in their ESG initiatives.

As an example, in regards to the topic of "net zero," we are aware of the destination – net zero – but many of us do not know where we are starting from on the map. So, SIMSA will start work towards developing a standardised baseline, with standardised measures and protocols - in cooperation with owners – to find our location on the map. Then we need to look into what can be done to move along towards the target. As part of this, we also need to know how to "tell our story of improvement."

Every great success story begins with the phrase "they started," and then features a series of learning, tripping, and refocusing events. Similarly, SIMSA will start on this journey and probably learn, trip, and refocus a few times – but we will get there.

Member News

[Virtual Coffee Break with SRC: New Brewing – Historic vs Modern Mining Practices](#)

[Integrated Power Services acquires Tesco Industries and increases service coverage in Saskatchewan with addition of full-service electric motor & generator repair facility](#)

[RBC Global Connect – Discover new markets to grow your business and connect with new customers](#)

[Team Power Solutions conceptualized, designed, produced, and commissioned a turn-key, 4 substation electrical skid for mining client](#)

[Team Power Solutions offers Online Instructor-led Safety Training in March](#)

[JA Tech Inc - EA Technologies - RFCT Installation](#)

Advocacy

Last Monday, SIMSA heard about unspecified changes to the Community Benefits evaluation criteria. We immediately expressed deep concerns to several provincial Cabinet persons and others. Then, during the SaskBuilds procurement event at the end of the week, I asked about changes to the criteria (I had expressed to them earlier in the week that the question would be raised during Friday's session).

In response to the question, they read a prepared statement of, "Effective March 1st, Community Benefits evaluation criteria will no longer be used on non-stimulus Ministry of Highways construction projects advertised March 1st or later. "

The reasoning was, that (1) since the broad implementation of pandemic stimulus items the construction sector has improved and (2) there have been considerable complaints from our New West Partnership Trade Agreement partners on this specific item and they wanted to maintain strong relationships with them.

Discussions are ongoing.

Sector News

[Economic and commodity outlook for potash 2021](#)

BHP reports an uneven but solid recovery in potash is now underway, with the Americas moving in advance of major Asian markets. Early in the new calendar year, US import prices continued to rally strongly, passing \$300/t in early February. New offers extended by the Canadian major Nutrien in the week of February 8 pushed towards \$375-380/t, with strong demand intersecting with tight seasonal supply in the North American logistics chain.

Long-term demand for potash stands to benefit from the intersection of a number of global megatrends: rising population, changing diets and the need for the sustainable intensification of agriculture. That latter point includes both the need to improve yields on existing land under cultivation, in the face of depleted native soil fertility, but to also begin factoring in the long run land-use implications of nature-based solutions to climate change. The Paris Agreement calls for extensive afforestation (planting trees where there has been no previous tree cover), with a target of 4 million square kilometres of land by 2050. Such a substantial shift in land use would put even greater pressure on global agriculture to produce more from less land. With prevailing practices today already diminishing soils' natural fertility, the appropriate use of potash to supply crops' potassium needs becomes yet more acute.

The land use question thus provides some attractive upside for potash demand, over and above the already solid demand trajectory we expect from traditional drivers. In the 2020s, we anticipate trend potash demand growth of between 2 and 3 per cent per annum in our base case. The need for new supply to be induced is expected to arise once both the spare capacity held by incumbents and capacity additions that are under construction have been absorbed by this steady expansion of demand. We expect that the window for new supply will be open from the late 2020s or early 2030s.

[BHP Jansen Potash – remains on track for Final Investment Decision in the middle of this calendar year](#)

Mike Henry, CEO, BHP, stated in his speech during the investor and analyst briefing, February 16, 2021, "Lastly, in potash, Jansen is an opportunity in a commodity we like. Potash is well placed to benefit from the world's population growth and changing diets. Our significant resource base provides many options, and Jansen Stage 1 – the first of these [of 4 stages] – remains on track for Final Investment Decision in the middle of this calendar year."

Jansen is anticipated to have a five-year construction timeframe with two years from first production to ramp up. Jansen has an expected mine life of 100 years.

[Paper Excellence Reinforces Commitment to Restarting Prince Albert Pulp Mill by Investing More than \\$600,000](#)

Paper Excellence, the company that purchased the non-operational Prince Albert pulp mill in 2011, announced February 5, it plans to restart the facility as soon as possible after the current non-compete agreement with the former owner expires in March 2021. Paper Excellence has spent more than \$600,000 on engineering and consulting work for new equipment at the site and to evaluate existing equipment that will be refurbished.

In addition to the work taking place on site, Paper Excellence is meeting with representatives of the Saskatchewan government and local Indigenous groups to discuss shared funding, project timelines and related investment opportunities. Paper Excellence looks forward to the day when the site can employ 200 people creating over \$300 million per year in economic benefits for Prince Albert and all of Saskatchewan.

SIMSA has begun a dialogue with Paper Excellence in regards to their use of our Saskatchewan Supplier Database, as well as meeting with our members to discuss procurement.

[Click here](#) for local news story on Paper Excellence.

[Oil change: How the collapse in crude demand during the pandemic could be a blessing for Canadian producers](#)

Decline in U.S. shale output, in part, has created an opportunity for oil sands companies. While virtually every other asset class in most investors' portfolios has risen—energy stocks have taken beating after beating. That's been particularly true here in Canada, where the combination of collapsing commodity prices and ongoing frustrations around pipelines and market access have made them more appropriate for masochists than mainstream investors. But despite the Biden administration's decision to revoke the presidential permit for the Keystone XL pipeline, Canada's oil sands producers may be about to stage a dramatic turnaround. If they do, they'll have COVID-19 to thank for the opportunity.

It might seem strange to think a global pandemic that triggered an unprecedented collapse in demand for crude oil would be good for the companies producing it, but that's exactly what happened for those in Canada's oil sands sector. That's because COVID may have permanently wounded the U.S. shale sector. After all, while the decline rates on shale wells will make it nearly impossible for the U.S. to grow production meaningfully for the foreseeable future, they're barely even an issue for oil sands companies. As a result, large integrated companies like Canadian Natural Resources and Suncor don't have to spend nearly as much money to hold their production steady, and can break even on their operations at between US\$25 and US\$30 per barrel—far lower than their American peers.

But oil sands producers' competitive advantage right now may be the fact that they don't have to grow in order to be profitable. Instead, they should be holding production flat, explicitly acknowledging the reality of peak demand and using it to reshape their businesses. But if there's anyone who can mess up the industry's surprisingly bright future, it's the industry itself. The federal carbon tax is only an asset if the companies advertise it accordingly, and for an industry whose leaders haven't always been enthusiastic supporters of the idea, that might be more difficult than it should be. Indeed, some of those leaders continue to trade in dead-end arguments about the ethical nature of Canada's oil production or the sins of the OPEC regimes—the very same arguments that failed to gain traction with investors five years ago.

Other SIMSA Activities

SIMSA Membership Drive

We work continuously to increase our membership numbers and we've seen an increase over the course of the pandemic from 218 to 231; a net gain of 13 members. Gains are realized by advertising through social media, targeted/direct emails and phone calls to prospective companies.

Do you value your SIMSA membership? – be an ambassador and express your benefits to your industry colleagues. Have contacts to share? Contact Director of Business Development, Julia Ewing —contact info at the end of this newsletter.

Upcoming Events

Register for Upcoming Events [HERE](#)

- Lunch & Learns - virtual:
 - Peter Lucas Project Management invites you to learn about mining water on the Moon, and how Saskatchewan can play a pivotal role in this endeavour in the next 5-10 years, March 5
 - Finning Power Systems, will present "Innovative Electric Solutions for a Sustainable Future". SIMSA members will learn how the integration of traditional and renewable energy sources with effective storage solutions, and seamless control, is important for maximizing your power generation assets and overall plant performance, March 19

- Saskatchewan Energy Suppliers' Update, March 24, 2021.
This event will feature presentations by, as well as question-and-answer with Saskatchewan energy project owners. Register [HERE](#) .
Our tentative agenda is:
 - 8:00 am Opening Comments
 - 8:10 Greetings from Province – Minister Bronwyn Eyre
 - 8:30 Keynote – Eric Nutall, Nine Point
 - 9:00 Crescent Point Energy
 - 9:30 TC Energy
 - 10:00 Break
 - 10:30 FCL Refinery
 - 11:00 Ministry of Trade and Export Development
 - 11:30 SaskEnergy
 - Noon Break
 - 1:00 pm Prairie Lithium/LiEP Energy
 - 1:30 Royal Helium
 - 2:00 SMRs
 - 2:30 Proton Technologies (Hydrogen)
 - 3:00 SaskPower/Moose Jaw power plant
 - 3:30 DEEP Energy
 - 4:00 Closing remarks

Upcoming Events

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- Grant Isaac, CFO of Cameco on, “As a C-suite person, this is what I am facing on ESG (BlackRock etc.) and thus will expect of our partners” April 12, 2:00 – 3:30 pm, via Teams (tickets on sale soon)
- Multinational EPCM Event, April 21
 - A procurement event with multinational EPCMs, with the goal to enable better business opportunities between the EPCMs and SIMSA’s members. Nutrien will be providing an opening brief at the session. Presenting Companies include:
 - Stantec
 - Wood
 - Worley
 - WSP
- Saskatchewan Oil & Gas Supply Chain Forum, Oct 6, 2021 “hopefully” an in-person energy Forum in Regina at the Delta
- Saskatchewan Mining Supply Chain Forum, Early December 2021 “hopefully” an in-person in Saskatoon

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