

Written Submission for the Pre-Budget Consultations in Advance of the Federal 2020 Budget

By: The Canadian Steel Producers Association



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RECOMMENDATIONS

RECOMMENDATION 1: That the Government returns revenues collected from the steel sector under carbon pricing schemes back to the sector to further efforts to transition to the low carbon economy.

RECOMMENDATION 2: That the Government provide significant financial support to create an innovation ecosystem that drives research, clean technology development, demonstration and adoption across the steel sector's supply chain uniquely focussed on its transition into a low carbon economy. The existing innovation effort by Canada's steel, mining and coal sectors carried out by the Canadian Carbonization Research Association should be considered for additional funding support that accelerates the effort of this globally unique collaboration.

RECOMMENDATION 3: That the Government reinstitutes the requirement for an Import Permit for each shipment before landing in Canada.

RECOMMENDATION 4: That the Government creates a new comprehensive approach to increase importer verification audit activities and an effective administrative monetary penalty system, for non-complying importers and for those who evade payment of duties under the Special Import Measures Act (SIMA).

RECOMMENDATION 5: That the Government recognizes the integrated nature of the Canadian and American steel markets, as well as the importance of a strong and free trading relationship with the US. Further imposition of duties, or any additional trading restrictions, would have negative consequences on Canadian steel producers.

RECOMMENDATION 6: That the Government establishes procurement policies and enabling tools that recognize and take in consideration the inherent carbon benefits of Canadian steel in domestic infrastructure projects.

RECOMMENDATION 7: That the Government should charge the established Canadian carbon cost to all imports from countries that do not have an equivalent national carbon pricing to ensure jurisdictions are not leveraging irresponsible environmental policy to gain unfair cost advantage.

RECOMMENDATION 8: That the Government work in partnership with Canada's steel sector to address current and future labour and skills shortages.

ABOUT THE CANADIAN STEEL PRODUCERS ASSOCIATION

The Canadian Steel Producers Association (CSPA) is the national voice of Canada's \$15B steel industry. Our member companies annually produce approximately 14 million tonnes of primary steel, steel pipe and tube products in 19 facilities located across five provinces.

CSPA member companies serve the demands of North American customers with high quality, competitive, innovative, and environmentally responsible products. Canada's steel industry is a strong and vital contributor to the country's economy. The sector creates high value products from key Canadian natural resources and by recycling scrap diverted away from landfills. The sector is an essential supplier to the automotive, manufacturing, infrastructure, transportation and energy sectors, while also playing a contributing role to the renewable energy sector.

The steel industry has had a long, proud history as a cornerstone of the Canadian economy, and it continues to be an economic engine across the country. Our members support 123,000 high skill, high-wage jobs directly and indirectly in communities from Hamilton to Sault Ste Marie, and from Edmonton to Contrecoeur.

OUR CURRENT GLOBAL CONTEXT

Global demand for materials will continue to grow with economic development and population growth. However, global overcapacity in steel production has risen to roughly 540 million tonnes, a figure that is 36 times the entire Canadian domestic production. Since global projected growth rates are dwarfed by this excess capacity, Canada's steel producers are facing increasing levels of market distorting trade practices and product dumping. Unfairly traded steel is hurting Canadian jobs and threatening to eliminate the use of Canadian steel in the domestic market.

Given the strategic importance that Canada's steel sector plays in the Canadian economy - as an advanced manufacturer and critical supplier to other key Canadian sectors - it is imperative that Canada maintains a leading steel sector that is strong and competitive.

In addition to these worldwide trade disruptions, we also face steel markets that are evolving at a rapid pace amid growing global pressures to address climate change. As we look to the future of Canada's steel sector, the need to adapt and innovate to maintain our competitive advantage and reduce our carbon footprint has never been greater.

As the steel sector around the world grapples with evolving market requirements, as well as consumer and governmental expectations on carbon and greenhouse gas emissions, it is clear to Canadian steel producers that more must be done to transition to the low carbon economy. However, to achieve significant reductions from where we are today, innovation and new breakthrough technology solutions will be necessary. Members of the CSPA see that Canada could benefit from strong leadership to find solutions for the steel sector on this pressing global challenge.

OUR RECOMMENDATIONS

The CSPA is pleased to submit recommendations in support of the Canadian steel sector's transition to the low carbon economy while at the same time strengthening our competitive position globally. These recommendations will deliver the following key strategic goals for our sector and our country:

- Driving investment to transform Canada's steel sector into the low carbon economy;
- Addressing the global trade risk Canada's steel sector faces;
- Leveraging climate policy to Canada's competitive advantage; and
- Preparing tomorrow's workforce.

1. Driving Investment to Create the Low Carbon Economy

Steelmaking is carbon intensive and there are no proven low carbon alternatives to our production processes. This creates unique challenges for our trade-exposed sector. But despite these challenges, the sector has steadily reduced its greenhouse gas emissions through improved operations, energy practices and optimizing raw material use. Since 1990, the Canadian steel industry has voluntarily invested to reduce energy consumption, achieving a 31.5% reduction in absolute greenhouse gas emissions by 2016.

However, to drastically further reduce the overall greenhouse gas emissions from the production of steel, the development of breakthrough technologies is crucial. The scale and investment needed to develop and adopt these new technological breakthroughs dictate that the steel sector cannot do it alone. There is a need for strong and unique partnerships to overcome the significant technological, economic and business risks associated with this transformation. Collaboration and partnerships should span between the steel sector and its customers, its resource suppliers, its engineering and technology developers as well as its governments.

Members of the CSPA see that Canada could hold strong leadership opportunity to find solutions to this pressing global problem. Indeed, member companies are already taking steps in their companies, but are recognizing the need to work together to foster the needed development but also to ensure the ongoing competitiveness of the sector is maintained.

Canada's steel sector has demonstrated its ability to embrace collaboration. Some examples include collaborations with Canada's energy and mining sectors and through the decarbonization efforts of the Canadian Carbonization Research Association (CCRA). The CCRA is leading research into a handful of promising technologies and is comprised of Canada's largest integrated steel producers, their existing coal suppliers, as well as CANMET, the federal government's research lab.

However, there is an urgent need to build on the early success of Canada's steel sector supply chain collaborations.

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across the steel sector's supply chain uniquely focussed on its transition into a low carbon economy. The existing innovation effort by Canada's steel, mining and coal sectors carried out by the Canadian Carbonization Research Association should be considered for additional funding support that accelerates the effort of this globally unique collaboration.

2. Addressing Global Trade Risk

The steel sector is facing an unprecedented global overcapacity of steel, so much so that many countries have taken trade actions to limit foreign access to their domestic marketplace.

With continued pressure coming from dumped and subsidized products entering the North American market, Canadian manufacturers are reliant on Canada's trade remedy system to establish and maintain a level-playing field. The relentless flow of unfairly traded goods driven primarily from the current overcapacity of steel, combined with the diversion risk associated with increased US protectionism, presents an opportunity to demonstrate Canada's commitment to taking actions aimed to maintain the North American trade dynamic.

RECOMMENDATION 3: That the Government reinstates the requirement for an Import Permit for each shipment before landing in Canada.

RECOMMENDATION 4: That the Government creates a new comprehensive approach to increase importer verification audit activities and an effective administrative monetary penalty system, for non-complying importers and for those who evade payment of duties under the Special Import Measures Act (SIMA).

RECOMMENDATION 5: That the Government recognizes the integrated nature of the Canadian and American steel markets, as well as the importance of a strong and free trading relationship with the US. Further imposition of duties, or any additional trading restrictions, would have negative consequences on Canadian steel producers.

3. LEVERAGING CLIMATE POLICY FOR COMPETITIVE ADVANTAGE

The need for a strong domestic marketplace for steel in the face of changing global and national dynamics has never been greater. Furthermore, fair market share must be maintained as those exposed to a price on carbon are unlikely to see a level playing field across the global marketplace in the near term. It will be necessary for the Government to consider trade mechanisms, such as carbon border adjustments, to help level the playing field with foreign steel imports.

Canadian steel has a greenhouse gas emission profile that is 1/3 the level of foreign steel being shipped to Canada from China. The CSPA believes that the total carbon footprint for materials considered for infrastructure procurement programs in Canada should be evaluated, including recognition of the impacts of locally sourced steel as opposed to imported steel. Furthermore, given the importance of transitioning toward the low carbon economy, the procurement of steel should consider excluding steel imports from countries that do not have an equivalent national carbon pricing regime.

Despite the 'climate lens' being an important factor in the current procurement system, the Government of Canada should ensure strong preferences for responsibly produced, Canadian steel in infrastructure spending and ensure that this is reflected in all program criteria.

RECOMMENDATION 6: That the Government establishes procurement policies and enabling tools that recognize and take in consideration the inherent carbon benefits of Canadian steel in domestic infrastructure projects.

RECOMMENDATION 7: That the Government should charge the established Canadian carbon cost to all imports from countries that do not have an equivalent national carbon pricing to ensure jurisdictions are not leveraging irresponsible environmental policy to gain unfair cost advantage.

4. PREPARING TOMORROW'S WORKFORCE

It is imperative to Canadian manufacturing that steel producers have a talent pool with the right skills and drive to keep our country not only competitive, but to continue to ensure that our sector remains a leader in advanced manufacturing. Canada's economy - and society - is undergoing fundamental shifts, and so is the Canadian steel industry. Upcoming shortages will stem from a range of factors, including: the s.232 tariffs which resulted in job losses across our industry, challenges to attract youth, women and other under-represented groups into manufacturing; and a disconnection between the formal training system and industry needs. As a result, job vacancies for certain positions are high and the workforce with specific skill-sets is aging rapidly.

RECOMMENDATION 8: That the Government work in partnership with Canada's steel sector to address current and future labour and skills shortages.

CONCLUSION

The CSPA and its members are committed in taking important steps to transition towards the low carbon economy. The recommendations proposed in this submission have the potential to provide Canadian steel producers with the momentum to enhance our role in addressing the transition to a low carbon economy, while enhancing our competitiveness by fostering important discoveries and technologies that will define the success and strength of Canada's economy.

We appreciate the review of this submission and welcome any questions. We would also be pleased to appear as witnesses during the pre-budget Finance Committee hearings.