

**Pre-Budget Consultations in Advance of Budget 2023**  
***Submitted by: The Canadian Steel Producers Association***



**October 8, 2022**

**RECOMMENDATION 1:** Take immediate steps on trade defense to protect domestic industry from rising unfair steel imports by using existing tools to enforce anti-dumping and countervailing duty decisions. This includes:

- Bringing Canada's normal value system into the *Special Import Measures Act (SIMA)* and the *Special Import Measures Regulations (SIMR)* to provide consistency and predictability to domestic industry on the use of an essential trade enforcement tool.
- Clarifying the situations where Particular Market Situations should be found in countries that are unfairly exporting steel products to Canada by amending *SIMA* and *SIMR*.
- Aligning our anti-circumvention standards with our largest trading partner, the United States, promoting a North American perimeter to trade.

**RECOMMENDATION 2:** Bring in a steel melt and pour monitoring system as soon as possible to provide increased supply chain transparency, fight unfair trade, and integrate it into future environmental initiatives.

**RECOMMENDATION 3:** Recognize that the current output-based pricing system is working, and that the current levels and stringency should be maintained until 2030 in recognition of our sector's significant progress in reducing emissions and our increasing trade exposure with the high potential for carbon leakage.

**RECOMMENDATION 4:** Consider policy tools such as Border Carbon measures in a manner that is complementary to the carbon pricing system and ensures competitiveness during this transition.

**RECOMMENDATION 5:** Enhance its procurement policies to mandate local green steel. This includes:

- Immediately apply reciprocity to all federal procurements and federally funded procurements of projects involving steel, by limiting access to procurement opportunities of suppliers, goods and services from Canada's trading partners to what is strictly required by Canada's government procurement obligations.
- Work with all jurisdictions to mandate climate-related requirements to all government infrastructure investments and support industry in the develop of the required environmental product disclosures.

**RECOMMENDATION 6:** Support the Hamilton Region Decarbonization Hub to develop and execute regional solutions for hard to abate sectors in the region.

**RECOMMENDATION 7:** Provide increased financial support for research, development, and implementation of advanced low carbon production technologies by ensuring adequate support of the steel industry's collaboration with Canmet and by continuing to ensure support funding through the NZA, SIF, and elsewhere for project execution.

## **THE CANADIAN STEEL PRODUCERS ASSOCIATION**

We are the national voice of Canada's \$15 billion steel industry. Our member companies annually produce approximately 13 million tonnes of primary steel as well as over 1 million tonnes of steel pipe and tube products in facilities located across Canada. Domestic steel operations directly employ 23,000 Canadians while supporting an additional 100,000 indirect jobs.

Canadian steel producers are a critical component of Canada's economy and industrial base, including, automotive, energy discovery, extraction, and transport, major infrastructure projects, commercial/residential construction, renewable energy creation, and many general manufacturing applications.

## **AN ESSENTIAL INDUSTRY AT A TIME OF TRANSITION**

The international community, Canada, and the steel industry are all in a period of transition. Internationally, the war in Ukraine continues to cause disruptions across sectors, while supply chain frustrations mount amid increased calls for nearshoring. Meanwhile, Canada continues to increase its environmental and trade ambitions. This also occurs as significant investments are made in developing the Canadian supply chain of critical minerals and electric vehicles, and as relationships on both sides of the border are tested and pushed to strengthen the North American perimeter to trade.

In the steel industry, government and private investment have enabled technological change that is estimated to reduce the steel industry's absolute emissions by over 45%, and the industry has stated its [ambition to reach net-zero by 2050](#). We are also witnessing new uses of steel, whether for steel plates in wind turbines, pipe products that transfer hydrogen, or the steel that goes into electrical vehicles. However, our market share is increasingly being taken by offshore countries providing cheap, carbon-intensive products.

The domestic steel industry has been a proven partner of the Government of Canada. It has demonstrated that when faced with a challenge, it will implement solutions. However, there remains a critical role for government to play in achieving successful outcomes. To continue to be that reliable partner, we need a predictable regulatory environment and a stronger domestic market for green steel. Similarly, we must work together to develop solutions for decarbonization, such as affordable hydrogen, clean, reliable electricity grids, and access to carbon capture and storage technologies

## **SUPPORT OUR COMPETITIVENESS BY LEVELING THE PLAYING FIELD**

There are opportunities for the Government of Canada's at the nexus of trade and environmental policy. Our trade defence system, of which the steel industry is the largest user, acts as our only protection against unfairly traded goods. When the trade defense system addresses unfairly traded imports, domestic industry supplies Canadian projects with green steel, benefiting workers, communities, and the environment. However, when the trade defense system does not work, carbon-intensive imports are chosen over domestic production, promoting carbon leakage and increasing Canada's carbon footprint. Fixing Canada's trade defenses increases the steel industry's competitiveness, while also moving the world closer to its Paris Climate Goals. Without significant changes to the system, Canada's climate and trade ambitions will continue to be hampered.

Dirty steel is currently pouring into the Canadian market at alarming rates. These offshore dirty steel products, such as those from China, India, and South Korea, make up approximately 39% of the Canadian market and continue to gain market share.

It is increasingly important that steel supply chains are transparent to recognize unfair trade patterns but also for future environmental initiatives as ~70% of emissions are emitted when a steel product is first melted and poured. Canada has recently finished a consultation on developing a 'Country of Melt and Pour Monitoring System' and the system's implementation is now being discussed. This system gives stakeholders the ability to see not only where a product may have been finished but also where the underlying steel inputs come from. Steel producers, downstream manufacturers, and end consumers need the transparency that a properly implemented monitoring system will provide, not only for the domestic benefits but to strengthen our trading relationships. While Canada maintains a robust trade defense system and is a valued trading partner within North America, we cannot become complacent.

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## **SUPPORT THE SECTOR'S LONG-TERM CLIMATE TRANSFORMATION**

Our [net-zero vision for the sector](#) outlines a significant opportunity for the industry through collaboration with partners including Government, academia, and the supply chain, to reduce emissions and find new solutions that will ensure green steel is made in Canada for generations to come.

To date, two strategic projects are being implemented by our sector, supported by the government, and will remove approximately 6 million tonnes of CO<sub>2</sub>, annually, by 2030. This is the equivalent of taking almost 2 million cars off the road and will deliver more than 45% absolute GHG reduction below 2020 levels by 2030, surpassing the federal government's 2030 target.

Thus far, the federal carbon policies have considered the competitiveness of emission-intensive trade-exposed sectors. However, in the face of an escalating carbon price, this has become even more urgent. Moving forward explicit effort is needed to ensure that our sector's competitiveness is protected, and that sufficient time is provided for abatement to ensure a successful transition.

Furthermore, it should be recognized that the Canadian operating environment for steel manufacturers is higher cost than other countries and our members face challenges to attract investment, particularly given current inflationary conditions. We also incur higher costs because of our high wages, environmental regulations, and rising carbon costs while our global competition, in many nations, do not. Canada is beginning to see the consideration of border carbon measures in other jurisdictions. We continue to urge the government to assess all tools to support domestic industry and ensure a level playing field on carbon costs.

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**RECOMMENDATION 4:** Consider policy tools such as Border Carbon measures in a manner that is complementary to the carbon pricing system and ensures competitiveness during this transition.

As confirmed by international benchmarking, Canada produces some of the greenest steel in the world and it is time to prioritize the use of green materials in all public projects. There is tremendous opportunity for green procurement in this transition, while enhancing competitiveness. We urge stakeholders to take pragmatic approaches that minimize complexity and more urgently bring green procurement into practice.

As a critical first step, there is an opportunity to achieve environmental goals by the immediate adoption of a reciprocal procurement strategy. Specifically, steel procurement should be excluded from all countries that are not signatories to procurement agreements with Canada. This would exclude countries who are not signatories to the WTO GPA and countries that Canada does not have procurement obligations through an FTA. This would exclude steel procurement from many of the most carbon intensive steel producing countries and regions in the world, including China, India, Russia, and Brazil.

In the longer term, support and collaboration should be offered to prepare the environmental disclosures required to implement a low carbon procurement program.

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In the long term, Canada's steel industry will need new breakthrough solutions to achieve our net-zero aspiration. These areas would include opportunities such as using hydrogen or biocarbon in our operations or ensuring carbon capture storage and use have application. We also need to ensure reliable access to clean electricity across all jurisdictions in which we operate.

The steel industry remains eager to bring to bear our significant scale as a potential market for these new uses. To that end, the CSPA has established a partnership with Transition Accelerator, the City of Hamilton, and member companies to pursue a regional decarbonization hub that will bring together transportation, buildings, and other heavy industry players in the Region to enable low carbon solutions. We believe this regional approach will facilitate similar efforts in other regions of the country. We are also collaborating with Canmet laboratories to advance early-stage low carbon research in support of the industry's capacity to utilize potential new solutions in the steel making process. Both efforts are crucial and must be accelerated.

**RECOMMENDATION 6:** Support the Hamilton Region Decarbonization Hub to develop and execute regional solutions for hard to abate sectors in the region.

**RECOMMENDATION 7:** Provide increased financial support for research, development, and implementation of advanced low carbon production technologies by ensuring adequate support of the steel industry's collaboration with Canmet and by continuing to ensure support funding through the NZA, SIF, and elsewhere for project execution.