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Chair: The Honourable Judy A. Sgro



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• (1305)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call the meeting to order.

This is meeting number 39 of the Standing Committee on International Trade. Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Therefore, members are attending in person in the room and remotely by using the Zoom application.

I'd like to make a few comments for the benefit of witnesses and members. Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly. For those participating by video conference, click on the microphone icon to activate your mike. Please mute yourself when you are not speaking.

With regard to interpretation, for those on Zoom, you have the choice at the bottom of your screen of either floor, English or French. Please select the desired channel.

All comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the "raise hand" function. The clerk and I will manage the speaking order as best we can.

Please also note that during the meeting it is not permitted to take pictures in the room or screenshots on Zoom. In accordance with the committee's routine motion concerning connection tests for witnesses appearing by video conference, I am informing the committee that all witnesses have completed the required connection tests in advance of the meeting and our translators are all on board.

Should any technical challenges arise, please advise me. Please note that we may need to suspend for a few minutes to ensure that all members are able to participate fully.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, September 20, the committee is resuming its study of the potential trade impacts of the United States Inflation Reduction Act of 2022 on certain firms and workers in Canada.

We have with us today, from the Canadian Labour Congress, Elizabeth Kwan, senior researcher, by video conference; from the Canadian Nuclear Association, John Gorman, president and chief executive officer; from Clean Energy Canada, Mark Zacharias, executive director, by video conference; and from World Energy GH2, John Risley, director, by video conference.

Welcome to you all. Thank you for sharing some time with the committee members today.

We will start with opening remarks and then proceed with questions from members.

Ms. Kwan, I invite you to make an opening statement of up to five minutes, please.

Ms. Elizabeth Kwan (Senior Researcher, Canadian Labour Congress): Thank you.

Good afternoon, Madam Chair and members of the committee. I'm grateful for the invitation to speak to you today.

I'm Elizabeth Kwan. I am a senior researcher for the Canadian Labour Congress and the policy lead on trade.

The CLC is Canada's largest central labour body and speaks on issues of national importance for more than three million unionized workers across Canada.

The very substantial funding of the Inflation Reduction Act—\$369 billion in energy, security and climate change programs—has reshaped the climate policy world, pressuring Canada to be more ambitious and to accelerate its own climate actions.

Overall, the IRA provides certain opportunities for Canada, including the production of EVs, EV batteries and battery parts, and low-carbon construction materials. The IRA could give Canadian producers a boost as they are, on average, 15% to 74% less CO₂-intensive than even U.S. producers. At the same time, the Canadian steel sector, and manufacturing in general, will face challenges due to the 100% U.S. iron and steel requirement for domestic energy projects and the sizable domestically manufactured components requirement.

The IRA can provide other opportunities for Canada to develop upstream activities, such as the mining of critical minerals for EV batteries. Canada is one of the few nations with most of the critical metals and minerals required for EV battery production and the capacity to produce refined battery materials with a low carbon footprint because of our clean electricity grid. However, the timeline to fully develop this potential for Canada is still many years away and may be a challenge in terms of optimizing for the IRA. Therefore, Canada needs to act right now.

Overall, the IRA climate and energy measures aimed to cut greenhouse gas emissions by 40% by 2030, in line with Canada's own target. The IRA could mean even more good Canadian jobs, hopefully many of them being union jobs, which is important in transitioning workers to a low-carbon economy.

On the international front, the IRA has also come to the attention of South Korea and the EU. The EU has listed at least nine points in the IRA that they allege are in breach of international trade rules. The EU and the U.S. have set up a task force to discuss how to address the EU's concerns.

There are also many questions from Canadian stakeholders regarding the interpretation and implementation of parts of the IRA. Perhaps an in-depth study of the impact of the IRA on Canada is worth embarking on. However, make no mistake; the IRA puts America first. It's about protectionism that advances U.S. interests. It offers certainty, a clear path forward for an ambitious industrial strategy that maximizes growth and good jobs and transitions workers into a low-carbon economy.

Canada has to offer this policy certainty as well. Canada needs to put the different commitments and actions from the last federal budget and the fall economic statement into a comprehensive strategic framework that articulates a clear vision. Unions must be at each and every table as equal partners to develop policies and the strategic framework. The Canadian framework should strengthen existing policies, be strategically selective in its priorities and build on strength. The IRA further invests in Americans by providing better pricing for prescription medication and access to health care, for instance.

Canada must build on its existing policy advantages that will support workers and encourage business investments, such as building up our public health care and bringing in universal pharmacare.

The IRA increases important supports for people, aggressively deals with climate change, lifts up workers and creates good-paying union jobs. As such, the Canadian framework, at the very least, must have the same objectives.

Thank you very much for your time. I look forward to your questions.

- (1310)

The Chair: Thank you very much, Ms. Kwan.

Mr. Gorman, you have up to five minutes, please.

Mr. John Gorman (President and Chief Executive Officer, Canadian Nuclear Association): Thank you, Madam Chair.

I thank all of you for the opportunity to speak with you today.

I'd like to begin by acknowledging that the land on which we gather is the traditional unceded territory of the Algonquin Anishinabe people.

I'm here to speak on the importance of our country staying competitive globally and with our largest trading partner. If Canada does not align and have parity with the U.S. Inflation Reduction Act, significant opportunities could be lost in terms of new and existing jobs, investment and export potential.

The Canadian nuclear industry is a strategic asset for this country, both domestically and internationally. For over 60 years, Canada has been a global leader in the nuclear sector. We've built our sector on the solid foundation of CANDU technology, which is Canadian technology. Now the refurbishment projects at Darlington and Bruce are the country's largest clean energy infrastructure projects, representing \$26 billion worth of investments. These are proceeding both on time and on budget.

These large-scale projects have provided the foundation for a robust and highly skilled supply chain and have opened opportunities for innovations associated with small modular reactors, enabling Canada to be a first mover in SMRs in Ontario, New Brunswick and, eventually, Saskatchewan and Alberta.

Over the course of 2022, the federal government has clearly and repeatedly indicated a strong role for nuclear on our path to net zero. The 2022 budget allocated funding for the further development of SMRs. We've seen numerous nuclear energy projects funded as part of Canada's strategic innovation fund. The Canada Infrastructure Bank announced nearly \$1 billion in financing to help SMRs in Ontario.

However, these investments risk being squandered if our industry is unable to remain competitive, particularly in the context of the United States and their Inflation Reduction Act. The IRA represents a massive strategic competitive investment by the United States that, if not addressed here in Canada through its own policy response, will confer significant advantages to American nuclear energy firms, including investment and workforce attraction.

In the FES, the fall economic statement, the government highlighted the strategic importance of complementing and balancing the initiatives implemented in the IRA. The FES was a good start in positioning Canada to address the competitive imbalance imposed by the IRA, but more needs to be done to ensure that Canada does not lose its competitive advantage.

While the FES introduced measures to improve competitiveness, such as the investment tax credit, it's not yet clear how these credits will be applied to the broad spectrum of existing and potential new nuclear facilities in Canada.

However, while we are speaking of the need to remain competitive, ultimately we are committed to working closely with our partners in the United States, who are also looking for parity in the nuclear sector. We must remain cognizant of the fact that the structure of the power systems are predominantly provincially owned here in Canada, while in the U.S. most are privately held. Care must be taken when designing incentives to ensure cross-border competitiveness is maintained in this regard.

Within this context, the Canadian Nuclear Association recommends the following key points for consideration by this committee. They are also essential leading into the federal budget 2023.

Ensure that nuclear energy is included in the Government of Canada's clean taxonomy and the green bond definition.

Ensure that—just like with the IRA—government-owned utilities can equitably access benefits that were announced in the fall economic statement, including the investment tax credits.

Ensure that existing, refurbished and new large nuclear facilities are eligible under the ITCs and other financial instruments.

Equitably include existing, refurbished and new large nuclear facilities, SMRs, and companies engaged in the nuclear value chain in other federal government clean tax policies.

Support the export of Canadian uranium and CANDU technologies to global markets, which have now grown in importance because of increased vulnerability in terms of global energy security.

Lastly, modernize and align—domestically and internationally—regulatory regimes such as the Impact Assessment Act and the Canadian Nuclear Safety Commission to provide clear, predictable processes for the timely deployment of nuclear energy projects and infrastructure.

- (1315)

Over the coming weeks, the CNA, with its members, will conduct additional analysis on the implications of the IRA and the financial and other supports required to enable growth of the nuclear sector. We'll share these insights with the committee.

Thank you. I look forward to any questions.

The Chair: Thank you very much, Mr. Gorman.

Mr. Zacharias, you have five minutes, please.

Dr. Mark Zacharias (Executive Director, Clean Energy Canada): Good afternoon, Madam Chair and members of the committee.

My name is Mark Zacharias. I'm the executive director at Clean Energy Canada, a climate and clean energy think tank at Simon Fraser University.

I'll be speaking today on how Canada can position itself to maintain high-quality jobs and seize the economic opportunities in the shadow of the U.S. Inflation Reduction Act.

The IRA is a game-changer and requires Canada to act now and rethink our approaches to attracting and retaining jobs and investments.

Prior to the IRA, Clean Energy Canada had done numerous studies to demonstrate the clear economic potential of a transition to a net-zero economy. Our modelling found that between 2020 and 2030 clean-economy jobs in Canada are projected to grow almost 50%. For example, by 2030, Canada's electric vehicle, or EV, battery supply chain could support nearly 250,000 direct and indirect jobs and add \$48 billion annually to the Canadian economy.

While the IRA has the potential to impact Canada's economy in many ways, three key opportunities stand out: automobiles, batteries and construction materials. The IRA extends the U.S. \$7,500 tax credit for new EVs and introduces a U.S. \$4,000 tax credit for used EVs. These tax credits provide a massive opportunity for Canada to supply electric cars, and their parts, to the U.S. market. Prior to the bill, tax credits expired once an automaker reached EV sales of 200,000 vehicles, meaning companies like GM and Tesla haven't been able to benefit from them for years. The new, uncapped tax credit will drive EV sales and leverage Canada's recent efforts to land agreements with Ford, GM, Stellantis, and their unions, to assemble EVs in Canada.

Even more important to Canada are the new rules on batteries. Starting in 2024, to access the EV tax credit, the vehicle must not only be built in North America, but its battery must contain at least 50% mineral content sourced in North America or a U.S. trading partner—meaning not China—and 60% of the battery components by value must be made or assembled in North America. These percentages rise 10% annually until they reach 100% in 2029.

Being one of the few nations with all the critical metals and minerals required for battery production, along with the ability to produce refined battery materials using low-carbon electricity, Canada stands to benefit from the IRA's battery content requirements and will help us eat into China's 79% market share of the global lithium ion battery market.

Finally, in February, President Biden announced the Buy Clean Task Force to use the federal government's purchasing power—the world's largest—to create demand for low-carbon materials, while restricting access to high-carbon imported steel and aluminum. The IRA provides the funding needed to implement this executive order, including more than \$5 billion U.S. to purchase low-carbon construction materials for federal buildings, highways, bridges and homes.

Another U.S. \$5.8 billion has been allocated to install advanced industrial technology in steel, cement and other industrial facilities.

Canada must be strategic and understand its competitive advantages if we aspire—and we should—to do more than export raw commodities like critical minerals. Canada has the potential to be a clean energy and clean manufacturing superpower, but we cannot and should not simply try to meet the IRA's fiscal incentives one for one. However, by focusing on areas of potential strength, we can compete in a number of these sectors.

To do this we must do the following.

First, work with industry and stakeholders to finalize the design of the investment tax credits put forward in the FES.

Second, recognize the importance of our low-carbon electricity supply. Reliable, cheap and clean electricity is a prerequisite for industrial investment, and completing the forthcoming clean electricity regulations is key.

Third, support our highly skilled labour supply and deliver further training and education aligned with the economy.

Fourth, build out the infrastructure necessary to develop critical minerals and metals as well as to transmit power to the new facilities.

Fifth, continue the decarbonization of our own industries to sell low-carbon goods to the U.S. and other trading partners.

Lastly, complete the forthcoming zero-emissions vehicle mandates to drive domestic EV demand and therefore Canadian production.

Strategic alignment with the U.S., while playing to Canada's strengths, can create a thriving North American market for the next generation of clean technologies and materials and keep us on the pathway to meeting our net-zero 2050 goals.

Thank you. I look forward to your questions.

• (1320)

The Chair: Thank you very much.

We'll move on to Mr. Risley for up to five minutes, please.

Mr. John Risley (Director, World Energy GH2): Thank you very much, Madam Chair and members of the committee, for this invitation to discuss the impact of the U.S. Inflation Reduction Act.

As it has been said, I'm John Risley. I'm the director of World Energy GH2, which is developing Project Nujio'qonik, a \$12-billion U.S. investment in Newfoundland and Labrador.

This project will generate energy by way of a three-gigawatt wind farm on the west coast of Newfoundland. Electrolyzers in nearby Stephenville will then convert that electricity to hydrogen and ultimately to ammonia. Both hydrogen and ammonia have been safely generated and shipped globally for decades.

As members of this committee are aware, Canada has signed an MOU with Germany to supply green hydrogen, beginning in 2025. This project is uniquely positioned to fulfill that commitment and so much more, including bringing well-paid jobs to local communities in Newfoundland and Labrador. Ensuring that Canada can successfully transition from conventional to low-carbon energy production and export.

World Energy has signed an MOU with the Qalipu First Nation, as well as all of the other local first nations communities in the area of our project. Chief Brendan Mitchell of the Qalipu has noted that this project will bring local opportunities through green energy training and jobs. The involvement of local communities is crucial. Without it, the project would not be able to advance.

A key question before the committee today is whether or not Canada will be able to compete in the clean energy space, given the strong tax credits for these kinds of projects included in the Inflation and Reduction Act. I'm here today to tell you that Canada is well positioned to compete in the green energy space, but to do so, we need to make decisions quickly and support the expedited roll-out of this sector in our country.

The recent fall economic statement provides the beginnings of a response to the IRA. It provides for a tax credit of up to 40% on clean hydrogen production and up to 30% for clean technologies, such as power generation via wind turbines. This is an excellent place to start the discussion. However, projects like ours need certainty on the details of these announcements in order to be able to move forward.

Questions exist. For example, will the tax credit on clean energy generation apply to the cost of the wind turbine itself or include the integral components, such as the concrete foundation upon which the turbine is to be mounted? What about the new road infrastructure required to get the turbines to site?

With regard to the hydrogen investment tax credit, we assume that this would include the cost of electrolyzers, but what about costs associated with energy transmission from the wind turbines to those electrolyzers? What about the specialized storage facilities, steam generation and other water treatment infrastructure? They are all required as part of such a project.

This can be simplified by deciding where the dividing line is between the power generation assets and the hydrogen and ammonia production assets. One side of that line earns the up-to-30% credit and the other earns the up-to-40% credit. All of the capital assets on both sides need to be captured in order for these credits to make Canada competitive in light of the IRA.

The determination of what constitutes a capital asset should be left to either generally accepted accounting principles or international FRS accounting standards. Any project owner submitting an application for the credit would need an audit certificate from a recognized accounting firm, qualifying the assets on both sides of such a line.

The timing of these decisions is critical. Right now, every day that we delay ordering key components, such as turbines and electrolyzers, creates a potentially significant delay in when we will receive such equipment. This is due to the supply chain crunches and high demand being generated by policies such as the IRA.

Canada needs to act quickly and provide certainty around the announcements made in the fall economic statement, while making sure that all of the project assets needed for green hydrogen and green ammonia are captured by the investment tax credits.

This is not crying wolf. I literally, just two hours ago, got off a plane after spending a week in Europe to visit critical equipment suppliers. I can tell you that I had to beg for the attention of these suppliers, who are now focused on a huge number of developing projects in the United States.

• (1325)

Thank you for this opportunity, Madam Chair.

The Chair: Thank you very much, Mr. Risley, and thank you for making sure you landed in time to be able to come to the meeting.

Next we have Mr. Martel for six minutes.

Go ahead, please.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you, Madam Chair.

Thank you to the witnesses for being here.

One thing is certain, and that is that so far, the hearings have told us a lot about how slow the Canadian government has been in dealing with the new American regulations. Even more importantly, they showed us how slow the government has been in responding

to requests from the various Canadian sectors to help us become a leader in the energy transition.

Mr. Jean Simard, the president of the Aluminium Association of Canada, spoke to us about the importance of accelerated depreciation to encourage new investment in production infrastructure. He also mentioned a low-carbon footprint aluminum procurement policy, together with investment and innovation in recycled aluminum research and development. He further went on to say that the environment had to be more competitive on both the fiscal and regulatory fronts. These requests have been made for years. However, instead of becoming a pioneer or facilitator for the industry, the Canadian government has always waited for the United States to make the first move. Canada reacts afterwards. I believe this has to stop. We clearly need to move in a new direction.

This week, we heard another presentation that provided striking evidence, from Mr. Masterson, the chief executive officer of the Chemistry Industry Association of Canada. The Canadian chemistry and plastics sector is the third largest manufacturer in Canada with annual shipments worth approximately \$90 billion. Eighty per cent of annual production is exported, most of it to the United States.

According to Mr. Masterson, the true value of the incentives provided by the Inflation Reduction Act, the IRA, and Canada's greatest challenge, is the transparency and certainty provided to investors. He also pointed out that we are paying a very high carbon tax which is steadily growing.

Some industries are fortunate to find themselves on the government's white list, and a number of representatives from these industries are here today. These hand-picked companies have access to federal subsidies for taxes, loans and other decarbonization incentives.

The problem, as Mr. Masterson explained it, is that the criteria for getting on the list are not transparent, clear or available to everyone. This means that not just any industry can be included in a business case, which places Canada at a disadvantage.

In the United States, on the other hand, no industry or company is on a blacklist. Everyone is on a whitelist. Everyone can consult the IRA and factor in its very real, very material and very accessible measures when preparing a business case for proposed industrial decarbonization projects.

During its appearance here on November 18, 2022, the Business Council of Canada mentioned that the 2022 fall economic statement lacked important details on investment tax credits for clean hydrogen technology. The Business Council of Canada added that incentives were more interesting and rules clearer in the United States.

Let's take the example of a company carrying out activities in Canada and the United States that wants to invest in reducing their carbon footprint.

Mr. Risley, from the standpoint of Canadian clean technology and clean hydrogen sector companies, how can a shortage of details affect investment decisions?

• (1330)

[English]

Mr. John Risley: Thank you, sir.

Look, we need specifics around what the tax credits apply to because we cannot do financial modelling. Without financial modelling, we can't bring our lender consortiums on side. We're talking about investments of billions of dollars, so obviously we need to be able to demonstrate what the government's policies are here at a very specific level.

I don't want to sound like I'm being overly critical. I am not. Directionally, the fall economic statement is very positive, but without this detail, we are just simply not able to plan. Without the ability to plan, we cannot order equipment, and ordering equipment for our projects of this size requires deposits of hundreds of millions of dollars, so this is very serious business, as you can imagine.

We understand the detail will be provided in the March budget, and we would encourage the government to please consult with industry during this interim period so that we're not surprised in March and we can at least make our views and arguments known as to an appropriate way, if you like, to construct these credits so that they can be a meaningfully competitive response to the IRA.

The Chair: I'm sorry, Mr. Martel. Your time is up, right down to one second left. I'm sorry about that.

Mr. Arya, you have six minutes, please.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

Madam Chair, the industry transformation that is required for the global energy and global green transition is comparable to the Industrial Revolution. With the talk of friend-shoring and onshoring and with the U.S. Inflation Reduction Act combined with the U.S. CHIPS and Science Act, basically the U.S. has laid out its plans for becoming a powerhouse in manufacturing going forward.

I have a question for Ms. Elizabeth Kwan.

Ms. Kwan, you mentioned the problems for the Canadian steel industry. What we've seen in the Inflation Reduction Act and the CHIPS and Science Act, and what the U.S. sees, is that the U.S. is promoting a lot of new manufacturing and new production capacity in their country. Their steel production, like aluminum here, has been stagnant for the last 20 years. Canadian steel production has actually come down from about 17 million tonnes in 2000 to about 12.5 million tonnes last year, in 2021, if I am not wrong, and there has been no increase in installed capacity during the last 20 years.

Ninety-four per cent of the exports of steel are to the U.S. We have signed free trade agreements with the European Union, the Asia-Pacific countries and about 50 or 60 countries around the world, but our steel producers are not exporting beyond the United States, and they're also not increasing the production capacity to

make use of the national resources available here to add value and to bring value in relation to the Canadian economy.

If there is a small problem with their exports to the U.S., they come with a huge lobby asking the Government of Canada for funds to protect them, but I don't see their commitment. Maybe it is because almost all of them are foreign owned, with no Canadian ownership, so they may consider Canada as just one of the branch offices for their exports to the United States and for the domestic Canadian market and have no interest in exporting to the European Union or the Asia-Pacific countries. What do you say about that?

Ms. Elizabeth Kwan: Thank you very much for your question.

I would say that the IRA is very interesting in the sense that it's a game-changer. The magnitude and the scope of what it's addressing are, if nothing else, both an opportunity and a bit of a push as well for us to expand a lot of our own manufacturing, including steel, obviously, and including auto.

As you know, most of the trade is with the U.S. Canada does most of its trade with the U.S. and our markets are very integrated, so there is that aspect of it. Hopefully, if we align our standards of production and manufacturing, and labour standards as well, with what's being—

• (1335)

Mr. Chandra Arya: Thank you. Unfortunately, I have questions for other witnesses.

Mr. Gorman, recently Brookfield Asset Management invested in the U.S. nuclear facility with Westinghouse, although it is more of an in-house transfer of ownership. Do you foresee, in your view, any chance of private sector funds coming into nuclear power generation in Canada?

Mr. John Gorman: Thank you very much for the question, MP Arya.

Yes, I do see tremendous opportunity for private investment in the nuclear sector. In particular, we see this opportunity coming up in small modular reactors. Small modular reactors are a different business case from the large reactors, which have often required government backing. Because they're small and manufactured in manufacturing settings and then shipped to site and assembled, it allows the private sector to participate.

Westinghouse is very positive news for Canada in terms of keeping not only their conventional reactor technology but also these new small modular reactors through their eVinci technology. That one signal that we had from Cameco and Brookfield in Westinghouse means we will see more investment coming into the new technologies.

Mr. Chandra Arya: Thank you.

I have one minute left, and I have a question for Mark Zacharias.

Mr. Zacharias, obviously a lot of people are talking about the potential for Canada to become a powerhouse or global leader in critical minerals or electric vehicle manufacturing. A lot of talk goes on around the minerals side of it. A lot of talk goes on around battery manufacturing and electric vehicle manufacturing. Not many people talk about the manufacturing of anodes and cathodes.

What do you say? What are you hearing about that?

Dr. Mark Zacharias: It's a really good question.

I would preface my remarks by saying that over the last couple of years, there have been 17 battery announcements in Canada, including some in cathode and anode production, and should those investments come to fruition, there would be about \$15.2 billion of new investment in Canada.

To your question, I think the cathode and anode production is starting to come. Right now we do need to align critical minerals and battery material production. Those need to be in place in order to move to the next cell, which is cell assembly and cathode and anode production. The announcement last week with Vale and GM around a nickel sulfide manufacturing plant in Bécancour is a good start.

I think the other reason they will come is that we do have clean power. We have a very clean grid. We have a skilled workforce. We have good workforce training. We have proximity to EV assembly in Canada, particularly as the Big Three have now switched to manufacturing EVs over the next couple of years.

I'd be happy to follow up more.

The Chair: Thank you very much, sir. Thank you for that information.

Mr. Ste-Marie, welcome to the committee today.

Please go ahead. You have six minutes.

[*Translation*]

Mr. Gabriel Ste-Marie (Joliette, BQ): Thank you, Madam Chair.

It's a pleasure to be with you. I'm pleased to see you and all my colleagues here. I'd like to thank all the employees, and the interpreters in particular, who contribute to the work of this committee.

Greetings also to the four witnesses. I'd like to thank them for being here and for their presentations.

My first question is for all the witnesses. If you wish, you can answer in the order you initially spoke.

I've heard a lot about the requests that all the organizations are making to the Canadian government. My question has more to do with an analysis of the United States Inflation Reduction Act, the IRA. Where would we like to see changes made to the current version of the act? What pressure should the Canadian government put on its American allies?

Ms. Kwan, perhaps you could begin.

• (1340)

[*English*]

Ms. Elizabeth Kwan: I think the pressure that Canada should put on the U.S. government should be to ensure that Canadians have access to the new markets being developed as well as the expansion of those markets. For example, the Build Back Better Act basically excluded or would have been harmful to auto, whereas the Inflation Reduction Act is inclusive. It's a North American sort of continental act.

We need to put pressure to make sure that we have a good synchronization of what the act says and what we have in Canada. We need to synchronize those standards and ensure that labour, for instance, is supported on both sides to actually move forward in the future much more toward a low-carbon economy.

Thank you.

[*Translation*]

Mr. Gabriel Ste-Marie: That's very clear. Thank you.

Mr. Gorman, would you like to add anything?

[*English*]

Mr. John Gorman: I would agree with Ms. Kwan that what we really need to achieve here is a parity between the U.S. and Canada as we go through this clean energy transition. Ms. Kwan used the word "synchronization"; I think that also applies here in terms of regulatory treatment and other measures that we look at.

In the nuclear sector, our efforts have increasingly been very collaborative with the United States in terms of looking at energy security, and now our climate goals, from a holistic point of view. That makes a lot of sense.

To the first part of your question, very quickly, what we have to amend here really has to do with what other speakers have addressed, which is this idea that we now need to work on the details of the ITC.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you very much.

Is there anything Mr. Zacharias would like to add?

[*English*]

Dr. Mark Zacharias: I would agree with the remarks of the two preceding speakers.

I would note that the other alternative to pressuring the U.S. to amend the IRA would be to do things a little bit differently and move forward more quickly on the Canadian equivalents.

I'll give you two or three examples. The IRA has an investment tax credit and a production tax credit. Canada does not have many production tax credits. That is something we could add or install in budget 2023. That would be very easy to do. There are direct pay provisions in the IRA that allow upfront financing for proponents to be able to invest their tax refund quickly in the initial capitalization. The IRA has nine different buckets of tax credits. There are many activities in there that don't have Canadian equivalents. We could actually fill the gap.

I could go on, but I'll leave that for another question.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you.

Mr. Risley, I have a minute left if you'd like to get your two cents' worth in.

[*English*]

Mr. John Risley: Thank you.

I think getting the Americans to try to change what they have already legislated is not a good use of time and energy. Billions of dollars are being invested on the back of that legislation, and the Americans are highly unlikely to tolerate any amendments to what has already gone through the system.

What do we need to do? We don't need amendments. We need clarity and a sense of urgency.

[*Translation*]

Mr. Gabriel Ste-Marie: That's very clear. Thank you.

I'm going to give whatever time I have left to someone else.

[*English*]

The Chair: All right. You had 50 seconds remaining.

Mr. Blaikie, welcome to the committee today.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): I'm glad to be back, Madame Chair. My first question would be for Ms. Kwan.

If we go back to the fall of 2021, there was quite a lot of concern about the tax credit incentives for electric vehicle manufacturing, and particularly the possibility of Canada being frozen out of the industry based on the conditions that were attached to those tax credits.

I was part of an effort to go down and lobby in Washington to ensure that Canada wasn't frozen out of those provisions. Canadian labour played a really important role, particularly some of the international unions that have brother and sister locals in the United States. I think of the United Steelworkers and my own union, the IBEW, and the Teamsters.

I know you talked earlier about the importance of having labour at the table. Could you speak a little to that specific example and also expand a little bit on ensuring that organized labour is at the table for discussions about IRA investments and Canadian equivalents, and about collaboration between Canada and the U.S. in this new economic chapter directed at fighting climate change? If you want to speak a little bit to what labour has to offer when its voice is at the table, I think that would be a fine thing.

• (1345)

Ms. Elizabeth Kwan: Thank you very much.

I think it was very clear that the Build Back Better Act would have damaged the auto industry, for instance. That's why you were there and we were there, fighting to make some amendments.

However, moving forward with the IRA, what is really interesting is how the act has put forward this connection of creating jobs in a low-carbon economy that incentivizes good jobs being present now and builds out to really good union jobs in the future through its apprenticeship training.

Because they have done some studies to say that the IRA is going to create nine million jobs over 10 years, what we have to do is ensure that the workers on the Canadian side are able to be part of this new development around the increase and expansion of manufacturing, and work towards new good jobs—union jobs, I hope—in the low-carbon economy.

We have all said there are a lot of gaps and a lack of details that are coming up, even with the things that were introduced in the FES. I would suggest that unions have to be very much involved, and involved in two ways. One way is how we can contribute a lot toward the whole discussion around the type of training, as well as how to improve the types of jobs moving forward.

I think it would serve Canada well to have a very strong union presence at the table for new policies for this framework that I spoke about. This is something that would be an advantage not just for Canadians but also in working closely with the Biden administration, which is very pro-worker and pro-unions. I think this is where we can contribute several times over to this whole endeavour as we move forward.

Mr. Daniel Blaikie: Is it fair to say....? I know that in Canada, unionized manufacturers in the auto sector, for example, tend to have a higher market share than what we see in the United States. It seems to me that there is a role for Canada as the Biden administration tries to encourage good union jobs within an American-only supply chain. It seems to me that Canada has a role to play to help American manufacturers meet that good union job requirement, while non-unionized manufacturers in the United States make choices about whether they want to see unionization in their shops in order to be able to access funding under the IRA.

Do you think there is a role for Canadian producers that already meet many of the specifications of the IRA if we bracket the explicitly nationalist requirements of that investment?

Ms. Elizabeth Kwan: I think that where there is a strong will, there is strong vision and there are strong actions behind the good union jobs. That's building out into the future with all of the new activities and the low-carbon economy through the IRA.

On the Canadian side, I think that it would help expand the good jobs here, but you're right. It pushed the other side because, quite frankly, the incentives under the IRA are very aggressive. They're aggressive not just on the manufacturing and production side; the aggressiveness is tied to the conditions of labour and the conditions of apprenticeship. There is definitely a symbiotic and reciprocal nature that we can leverage a lot more in the days to come.

I would say, though, that we have to get our house in order first in order to do anything. We need details, we need a strategic plan and we need unions at the table to make sure that Canada is going to be able to work hand in hand with the workers in the United States in this prosperous future.

• (1350)

The Chair: Thank you very much, Mr. Blaikie.

Mr. Daniel Blaikie: Thank you, Ms. Kwan.

The Chair: We'll move on to Mr. Baldinelli for five minutes, please.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair.

Thank you to all the witnesses for being with us this afternoon.

Over the past several hearings that we've had, a consensus is almost coming from all the witnesses that we need clarity and that we need a sense of urgency in the response to the IRA.

Ms. Kwan, you mentioned yourself that it's a game-changer. It reshapes the climate world. Bob Masterson, the CEO of the Chemistry Industry Association of Canada, just recently said, "The IRA is the most audacious public policy instrument ever introduced to decarbonize a major economy in the world." He went on to add that the Americans "have unleashed the power of private capital" to decarbonize, while Canada is still stuck in debates over strategies and plans. We have to react and we have to move seriously forward.

Mr. Gorman, I was just reading an article that you prepared for Policy Options in May. You talked about the government and nuclear power again. The article was "Time for Canada to commit to nuclear power", and you mentioned that "we have a government [in Canada] that is a champion of nuclear one day, yet leaves it as a footnote the next." I mean, you've seen the recent investments by the Canada Infrastructure Bank of \$970 million. Certain provisions came out in the federal budget 2022, yet "nuclear was excluded from the clean tax credit policy" in 2020. It was also not included in the accelerated capital cost allowances and then, of course, in the Canada green bond framework.

As we move forward, we need to also take a look at some of your five recommendations. You said how the government can take steps to accommodate that, particularly in Ontario. We have 60% of the grid in Ontario alone provided by nuclear power. I come from the riding of Niagara Falls, which provides 2,200 megawatts of clean hydroelectric power. However, 60%....

Previously, I had the pleasure of working and doing community relations for Bruce Power when it was first established in Kincardine. You see the impact that British Energy had when it moved to Canada, not only in saving the community and the power that it produced but also the supply chains. In my riding alone, you have E.S. Fox, which has thousands of jobs—of workers—not only in the nuclear sector but also now with the Darlington station, as they're going to be working there.

What are the things that we need to do, particularly as we move forward to decarbonize? We're going to need increased power. Sixty percent of the grid in Ontario right now is nuclear. With regard to your point about utilities and large power producers, such as nuclear, how do we get the government to change its examination of that and include it in the green bonds so that we can go forward?

Mr. John Gorman: That's a very important point. That is around the need for consistency in the government's treatment of any clean technology that it is relying on for a net-zero future. In particular, as you pointed out, there's been a lot of inconsistency around the way that the various departments in the federal government have been treating nuclear.

I think we are encouraged by the progress and the commitments that have been made most recently to view nuclear as a clean energy technology—that's what it is—that is central to our meeting our energy security and climate goals. However, we do continue to see that there's an unlevel playing field here in Canada among clean energy technologies. You have referenced a few. There have been tax credits, accelerated capital cost allowances, and green bonds extended to other clean energy sources that have not been extended to nuclear.

It's absolutely essential that as we acknowledge the technologies that are going to be needed as we strive towards this more energy-secure, more climate-friendly future, we create and incentivize a level playing field for all of these technologies so that they can deliver to their full potential. Therefore, we will continue to press this government to ensure that there is that level playing field so that nuclear can play a large role.

• (1355)

The Chair: Thank you very much.

Mr. Tony Baldinelli: Thank you, Mr. Gorman. Also—

The Chair: I'm sorry, Mr. Baldinelli. You have 16 seconds left—actually, it's 13 by the time I tell you. I'm sorry about that.

Mr. Tony Baldinelli: Mr. Gorman, when you talk about government utilities' accessing things such as the green bonds, nobody is talking about the investments that are going to need to be made in terms of the grid and the capacity to handle the increased electrical demands that we have. That is something that needs to be discussed, as well.

The Chair: Thank you, Mr. Baldinelli. Mr. Gorman might want to respond to that when he answers someone else's question later on.

Mr. Virani is next, please, for five minutes.

Mr. Arif Virani (Parkdale—High Park, Lib.): Thank you very much, Madam Chair.

I appreciate that the cleanliness of Canada's grid has come up a number of times in the opening comments. My understanding is that our grid is about 85% clean, and as we move to get past coal right around the country to get to a 100% clean grid, that just gives us an even further competitive advantage when we're dealing with things nationally and internationally.

Obviously I'm going to build on where Mr. Baldinelli was, which is that the phase-out of coal in the province of Ontario, the province that he and I share, has been instrumental, as well as the accentuation of nuclear energy in Ontario.

Mr. Gorman, it is good to see you again. I wanted to ask you about the piece in the fall economic statement that talks about nuclear power and, as you mentioned, the investment tax credit being available for small modular reactors. Then there is a later piece that talks about how the eligibility is going to be consulted on with respect to large-scale nuclear power.

Can you comment, given that sort of division you talked about with the public and private components in Canada, about large-scale nuclear reactors and where you see CANDU fitting into the tax credit regime that needs to be happening as fast as possible? What is the role for large-scale CANDU reactors in that sphere?

Over to you, Mr. Gorman.

Mr. John Gorman: I would say that there is growing recognition here in Canada and around the world that we are going to have to dramatically increase the amount of clean electricity that is being produced so that we can switch fuels in various sectors to decarbonize them. Most knowledgeable folks are saying that it is going to require a doubling, tripling or even quadrupling of the amount of clean electricity generation that we have.

Nuclear is, and has been for decades, a very important source of clean electricity here in Canada. It's increasingly clear that we can take advantage of these small modular reactors to meet many of our needs, but also increasingly clear that we're going to need large nuclear reactors as well.

As we look to working through the details of the investment tax credit, we absolutely need to ensure that the investment tax credits are extended to large nuclear reactors, as they have done in the United States. We have to be cognizant of the fact that here in Canada most of our large clean electricity projects are driven by Crown corporations, Crown utilities that are non-profit organizations. The ITCs need to be expanded to include not only large nuclear

reactors, as they have done in the U.S., but also modified to be able to accommodate the non-profit nature of the Crown corporations that are driving this clean energy revolution.

Mr. Arif Virani: Got it. Thank you, Mr. Gorman.

I want to direct my next question to Ms. Kwan and Mr. Zacharias.

You were taken to the Build Back Better discussion when Mr. Blaikie was questioning you. I think the critical feature there is obviously that the advocacy of the Government of Canada and various union groups caused that instrumental change where buy American turned into buy North American. That's obviously created a lot of demand for what we're doing here in Canada and is really helping to support our auto industry and the good unionized jobs that, Ms. Kwan, you mentioned. I share your concern about ensuring that we have those good strong middle-class unionized jobs.

There's an element in the fall economic statement that I want you to comment on. There are things like the sustainable jobs training centre; the new sustainable job stream under the union training innovation program, which is expected to produce 20,000 apprentices of the type that Mr. Zacharias was talking about; and the sustainable job secretariat. Are those the types of initiatives you see as steps in the right direction? What more do we need to be doing to ensure that we're training people in unionized workspaces for the jobs of the future?

Maybe Ms. Kwan and then Mr. Zacharias could respond.

• (1400)

Ms. Elizabeth Kwan: Thank you very much.

I would also say that what you've listed off are useful programs that were introduced in the FES. I also would say that this is what I prefaced in my remarks. There are bits in budget 2022 and bits in the FES. In the FES, the Government of Canada tried to respond a little bit to the IRA. It needs to come together as some sort of "Canada first" strategy to make sense of what we really want to do with all of it.

I think that the union jobs training thing is very good, of course, but as I said before, what they're trying to do under the IRA is very aggressive. In many ways we're not just competing for business; we're also competing for people, for workers, quite frankly. We need to be able to support workers with more training and make sure that those apprenticeship requirements are as aggressive as what is stated in the IRA, if not more so, so that it doesn't just build the present but also builds the future of all of these low-carbon types of jobs and areas in the low-carbon economy.

Mr. Arif Virani: Mr. Zacharias, just briefly—

The Chair: I'm sorry, Mr. Virani. Your time is up.

Monsieur Ste-Marie, you have two and a half minutes, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Madam Chair.

I would have liked all four witnesses to answer my next question, but that will be impossible in only two and a half minutes. I'll go to Ms. Kwan, and if the other witnesses would like, they can send their answers in writing to the clerk, who can then pass them on to all the committee members.

Ms. Kwan, several witnesses we've heard thus far have said they are afraid that the financing measures in the American act would trigger an outflow of investment from Canada to the United States and lead to job losses in the Canadian manufacturing sector.

Do you share this fear? How can Canada avoid this outflow of investment?

[*English*]

Ms. Elizabeth Kwan: Thank you very much for your question.

I think that the magnitude of the IRA and the amount of money in the IRA is pretty mind-blowing. Quite frankly, it's not just about Canada. It is something that everyone else is paying attention to around the globe. I think we need to know what we're dealing with, which is what I said previously. We need to study and look at the impact on Canada and on workers in Canada.

It would be very logical to say that we cannot match, dollar for dollar, what the Americans are doing, so we need to be strategic. We need to really invest in people and in workers and make sure that those jobs are good jobs that we have in Canada.

One thing that advantages us in Canada is that—I know that this might not sound like a direct sort of impact—we have everything to actually make good communities as we move forward. We have strengths like public health care and legislation around equity and inclusion. These are strengths that we kind of leave on the table or ignore. We're like, “Oh yeah, sure, we have them”, but I think these are things we can put into the strategic framework. We can actually develop the people of Canada, and develop good jobs, good works and good union jobs as we move forward.

Thank you.

• (1405)

The Chair: Thank you very much.

Mr. Blaikie, you have two and a half minutes, please.

Mr. Daniel Blaikie: Thank you very much.

What I'm hearing loud and clear is that our competitors are engaging in pretty assertive industrial planning and Canada is not. We have a pretty rich history of not doing that, going back at least 30 years. Canada's trying to develop a way to do that in order to respond to competitors that are frankly more serious about taking a coordinated approach to industrial development in sectors that appear to be, and ought to be, the future of our economy.

Mr. Risley had said earlier that he was hoping that there would be consultation with a sense of urgency around some of the items

that the government's already announced in the fall economic statement. When we talk about that effort and the need to have labour and industry at the table with government, do those tables already exist? If so, where are they? What are they called? Who sits on them? How often does that regular consultation happen, so that we have a process of ongoing industrial planning, or is it the opinion of our witnesses here today for their respective industries that the infrastructure doesn't really exist?

I thought I would start with Mr. Risley, and then the other witnesses can chime in with whatever time remains.

Mr. John Risley: Thank you for the question, Mr. Blaikie.

The infrastructure doesn't exist in a classic sense. However, elements of the infrastructure exists. Obviously, industry talks to union and each talk to government. Industry does have a responsibility to get its act together to act in unison in terms of its position with government, but there is no formal infrastructure for consultation around programs such as the fall economic statement's response.

I don't want to sound like I'm defending the government, but on the other hand, the IRA really came out of nowhere. Nobody expected it, and then bang—all of a sudden we get this awesome piece of legislation. It caught everybody by surprise, and we need to act quickly.

Industry is prepared to react quickly. I would say that the jobs that are going to be created by the clean energy revolution and the transition of clean energy in Canada are going to be excellent jobs. There's no question about that. We just need to move on with it, because if we don't, we are going to miss the boat. We will not be in second place; we will be in seventh or eighth place.

Mr. Daniel Blaikie: Thank you very much for that.

The Chair: Thank you very much, Mr. Blaikie.

Mr. Carrie, you have five minutes, please.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Madam Chair.

I want to thank the witnesses for being here today. I am very concerned with the testimony, though.

We'd been hearing it from other witnesses, before the fall economic update, that the IRA was supposed to be the fix for Build Back Better. It seems that the Canadian government has not been engaged. It was actually passed August 16, and a lot of our witnesses, before the fall economic update, were looking for urgent action. Waiting until March or April is not acceptable.

I think Mr. Masterson, just at our last meeting, said that the time for study and debate is over. The Business Council of Canada has argued that Freeland can't afford to wait, urging her to move the budget date to February instead of March or April.

Mr. Risley, we had Madam Vera-Perez from the Canadian Hydrogen and Fuel Cell Association say that with our lack of action, "Canada is falling behind" and we have to "reclaim our leadership".

It's extremely urgent. Even the fall economic statement concluded, "Without new measures to keep pace with the IRA, Canada risks being left behind."

I'm very, very concerned, because the things we're being asked for seem.... You know, it's talked about in the update, but nothing is solid in there. Nothing's certain. With the American uncertainty, we're seeing businesses concerned that maybe they're going to go down there right away, before the change can happen in the United States.

Mr. Gorman, in Oshawa I'm surrounded by nuclear power and the auto sector. You mentioned some things that could help with competitiveness. You mentioned the green bonds, I think, to allow government-owned businesses to have access to tax credits and refurbishing. Could you please tell the committee if there is anything the government could do before March or April, or whenever they're going to come out with the next budget, that could give some certainty to the market? We'd like to see that business attract here, to Canada, instead of losing out to the United States.

• (1410)

Mr. John Gorman: I do believe that if the government were able to send a strong signal before the budget about what its intention is in terms of levelling up with what the United States has achieved with the IRA, it would give all of the sectors needed to make this clean energy transition happen the ability to consider their plans and consider where their investments will go before they make critical decisions for making those investments and business plans for participating in the U.S. market.

I think there are important business strategy decisions that are being made as we wait for budget 2023 to come out. Right now, the smart money and the strategic business decisions are all geared towards the U.S., where the IRA is clearly creating enormous opportunity.

Signalling exactly what we're trying to achieve here and which sectors we are supporting would be helpful.

Mr. Colin Carrie: I agree. I just worry that it's not enough. Four days ago, former Bank of Canada governor Stephen Poloz said that he believes red tape and over-regulation are sending Canada's economic productivity down the drain. He said that Canada's the second-last for productivity and performance among the OECD countries. This is so concerning, because this investment with the IRA is generational.

I'm wondering, Mr. Risley, if you could comment. Again, from your colleague from the Canadian Hydrogen and Fuel Cell Association, we heard that we have all the tools to be competitive, and there was nothing of certainty in the fall economic update.

As I said, the IRA was passed August 16. Can we wait until March or April? How much are we going to lose by just sitting on our hands?

Mr. John Risley: I'll give you an example. This is just an example, but I think it's an indication of the sense of the supply chain problems. We were told by one of the very major OEMs in this industry, without whose participation it would be very hard to build a project of our scale, that if we don't order equipment in January, we will not get it in time for 2025. If we wait six months, then we are subject to a further two-year delay.

That's the problem we face. People are not waiting around for Canada to make up its mind. People are spending tens of billions of dollars in the United States in response to the IRA right now, and we need to move on.

We can do it here. We have all the ingredients. We have the raw materials. We have great resources. We have the people. We can do it.

Mr. Colin Carrie: We can. I have the confidence. We just need government out of the way.

The Chair: Thank you, Mr. Carrie.

We'll go on to Mr. Miao for five minutes.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair, and thank you to all the witnesses for being here today.

First, I'd like to ask a question about nuclear medicine, through you, Madam Chair, to Mr. Gorman.

In 2018 the Prime Minister announced a new institute for advanced medical isotopes at the University of British Columbia's TRIUMF facility. Can you give us an overview of the work being done here, and could this work result in an increase in Canadian exports of medical isotopes?

Mr. John Gorman: You're right. The medical science part of the nuclear sector is often overlooked because of discussions around nuclear power, but the fact is that Canada is absolutely a world leader in the production of life-saving medical isotopes. It's not just the 70% of cobalt that we provide to the rest of the world for sterilizing one-time-use medical equipment, but it applies to a huge and growing range of increasingly targeted isotopes that Canada is producing and providing to the world.

The work that has been done at TRIUMF and at the Canadian nuclear laboratories at McMaster is innovative, important work that is providing these life-saving isotopes, and the great news and innovation in Canada lately has been adding to that, with the ability to harvest new, sophisticated types of isotopes from our existing reactors.

Bruce Power and OPG, with their existing reactors, are working with partners like BWXT and Kinectrics and others to harvest isotopes from existing operating reactors, thereby greatly expanding the capacity as well as the assortment of isotopes we're providing to the world market. You're absolutely right. It's a large and important market.

• (1415)

Mr. Wilson Miao: Thank you.

Where do you see the most potential for small modular reactors here in Canada? Do you see the potential for these reactors to be used in place of diesel engines in certain circumstances?

Mr. John Gorman: The great potential for small modular reactors has to do with how scalable the reactors are. They can be so small as to fit on the back of a truck and be delivered to a northern community, a first nations community, or they can be large, and they're providing electricity.

Their uses in Canada, if I could put it succinctly, really focus on their scalability being applied to smaller markets. Even Saskatchewan, for example, which needs to phase out coal, couldn't take a whole conventional reactor on their electricity grid. Very small modular reactors could be provided to northern indigenous communities to get them off diesel power.

Lastly, these small modular reactors produce very high-temperature heat, and this heat can be used to replace industrial heat in the production of steel and cement. It can be used in mining operations in the way that we extract and process oil and gas, in a way that electricity just can't do by itself.

The ability of small modular reactors to decarbonize heavy industry in Canada with high-temperature heat in a very scalable way is what is addressing Canada's central challenge. We have a clean electricity grid. We have a problem trying to decarbonize heavy industry. Small modular reactors can help.

Mr. Wilson Miao: What are the biggest barriers right now to nuclear energy in Canada?

Mr. John Gorman: There are several things we have to watch very closely. I call them bottleneck issues. One of them is common to any build-out of major infrastructure, and that is the speed to get approvals for siting and building out infrastructure. That applies to nuclear power. It just is taking too long to get approvals to have things built.

Another one is financing and having the public funds there to ensure that we can unlock the private financing.

Ms. Kwan has spoken about some of the HR challenges that we're going to have vis-à-vis the United States in ensuring that we have a really competitive, skilled workforce that can build out our nuclear infrastructure.

Those are some of the issues we're looking at right now.

The Chair: Thank you very much.

We've completed two rounds. We have time for a few more questions. We will go to Mr. Seeback.

Mr. Kyle Seeback (Dufferin—Caledon, CPC): That's great. How much time do I have?

The Chair: Let's try five minutes.

Mr. Kyle Seeback: That's fantastic.

The first question I want to ask is of Mr. Risley. When you look at trying to unlock private financing and private capital, what's the best way for us to drive the innovation that we're trying to see in the development of these things? Is it government programs or tax incentives and other investment incentives for business?

Mr. John Risley: That's a great question. I'm not sure that I have the time to adequately respond to it.

I think there are a number of ways you can create a level playing field. For instance, in the IRA, specific to hydrogen, the American legislation has provided a very elegant solution, which simply provides a production tax payment of up to \$3 a kilo based on labour and carbon intensity. That gives the industry real certainty. It doesn't matter how they get there; they just know that if they get there, they get \$3 a kilo by way of a direct payment for 10 years.

Mr. Kyle Seeback: They're doing the same for batteries, are they not?

Mr. John Risley: Exactly. We've decided—and this is fine, and I'm not being critical here—that we want to go with the one-time tax credit on the eligibility of certain assets or the capital cost of a project. That's fine too. You have to weigh one against the other. It doesn't have to be exactly the same. It just has to be reasonably competitive.

Obviously, there are other factors that one has to take into account. What's the quality of the natural resource that we're working with here? Are our wind speeds better or worse? Do we have the availability of fresh water? Do we have access to deepwater ports?

All of these things add to the cost competitiveness of a project, and it's not the government policy in and of itself. Government policy is obviously a big component of it. It just needs to be competitive.

• (1420)

Mr. Kyle Seeback: It also needs to be clear and simple. Would you agree with that?

Mr. John Risley: Absolutely. It needs to be clear and simple, yes, because banks won't finance...they will not want to get into an argument with the government over whether or not—

Mr. Kyle Seeback: —you qualify for a certain program. The bank, if it's going to finance a project, wants to say A plus B equals C.

Mr. John Risley: That's correct.

Mr. Kyle Seeback: Thank you very much.

Mr. Gorman, when we talk about the role of nuclear power, we also have to talk about the expansion of the electricity grid. RBC has a report out on the path to net zero. It talks about the cost of expanding the electricity grid across the country. It makes suggestions that billions of dollars a year need to be invested in that.

What's your take on increasing the electricity grid in conjunction with electric generation?

Mr. John Gorman: This question keeps me up at night.

I think there is a very significant underappreciation of the sheer amount of electricity infrastructure that we're going to have to build out over the next 30 years or so. It's being reflected in underestimations by the provinces and by their systems operators. It's looking at electricity generation only, and isn't taking into account the sort of fuel switching that has to be done in various other sectors across this nation.

When really knowledgeable people speak about the need to double, triple and quadruple the amount of electricity infrastructure power generation that we have, I think we have to start planning to be able to build out that amount of infrastructure, and we're not doing that at this point.

Mr. Kyle Seeback: It keeps you up at night. It's something I think about very often as well.

The incoherence we seem to get from the government on nuclear... Is there any path to net zero, in your opinion, in Canada and around the world without nuclear?

Mr. John Gorman: There's a growing consensus that there is no cost-effective pathway to net zero without significant amounts of nuclear energy. That's certainly true here at home, but globally... That's not to say that nuclear is a panacea or silver bullet. It's going to require every bit of existing clean energy technology that we have, be it wind, water, solar, conventional or nuclear. It's going to take everything that we can be developing—hydrogen, carbon capture and storage, small modular reactors, etc.—to meet this challenge, but nuclear energy is certainly going to be a very important component of that mix.

Mr. Kyle Seeback: I know that I'm almost out of time—

The Chair: I'm sorry, but you have two seconds left, Mr. Seeback. Thank you

Mr. Sheehan, do we have you with us?

I'm going to hold that spot for a bit. He's not popping up.

I will go on to Monsieur Ste-Marie, for two and a half minutes, please.

[*Translation*]

Mr. Gabriel Ste-Marie: Thank you, Madam Chair.

Once again, my question is for all the witnesses. Given the short amount of time available to us, I will ask Ms. Kwan. I would ask other witnesses to send their answers in writing to the clerk, who can then pass them on to all the committee members.

Ms. Kwan, when the representative of Toyota Motor Manufacturing Canada Inc. came to testify before the committee, he raised the problem of the uncertainty caused by the American act and the risk of a suspension of planned activities until the actual impact of the new act is properly understood. This was often raised by today's witnesses. So until the actual impact is understood properly, there may be repercussions on corporate investment decisions in Canada.

What are your comments on this? What repercussions would the uncertainty resulting from the American act have on Canadian corporate decisions with respect to investment in Canada?

• (1425)

[*English*]

Ms. Elizabeth Kwan: Thank you very much for the question.

I will just quickly say that policy certainty was definitely part of my presentation today. Especially in the auto areas, we—the unionized auto sector—embraced the opportunities that the IRA presented in terms of EVs, batteries and all of that. This is a much better place to be than Build Back Better. It's a good place to be.

Generally, around the suspension of activities, even that is muted by the switch from build back better to the IRA. I think the call for suspension was probably a little bit stronger previously.

Right now, the markets are so integrated that a lot of activity is ongoing. With the IRA, I think we need to be able to study the impact and know what the standards are and whether all standards are equivalent, acceptable or agreeable above what's stated in the IRA, and go from there.

It's not an either-or question. The vehicles and the batteries need to be built, and that has to be done now.

The Chair: Thank you very much.

I will move on to Mr. Sheehan.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much, Madam Chair.

That was a good segue into a question that I wanted to shoehorn in to this discussion.

I think I'll start with Mark on this one.

I'm from Sault Ste. Marie in northern Ontario. When I was on council, a former NDP MP who was a city councillor and I put forward a resolution declaring us that alternative energy capital of North America. We took a bold statement. We talked about a lot of what was happening in northern Ontario.

A couple of years ago, when I was the parliamentary secretary for FedNor, I made an announcement for cobalt sulphate up in northern Ontario. It was an investment by FedNor and our cotermious NOHFC.

There are a lot of critical minerals in northern Ontario that are under way. I think that positions us well to demonstrate to the Americans how well we are poised to work together on this decarbonization and this whole electrification of our economies.

Mark, what kinds of other suggestions would you make for how the government can attract more investments, such as cobalt, in other places? In particular, we always talk about the Ring of Fire up in northern Ontario, where there's a potential for a lot of critical minerals. We talk about "from mine to road".

What kinds of strategies do you think the government could employ to attract that kind of investment and innovation up to northern Ontario?

Dr. Mark Zacharias: That's a great question.

There are a couple of things.

One is the \$3.8 billion that has been invested in critical minerals. That needs to move quickly.

Two, getting projects through regulatory processes federally and provincially in Canada is exceedingly difficult. It takes a decade to build a mine in Canada. That has to change.

Number three is our labour force and skills training. We have an advantage relative to the U.S. in terms of the skills ability of our labour force and our general labour force, but, again, we need more workers.

Fourth, the infrastructure needs to be built to be able to electrify those mines and be able to get the minerals back down into the lower part of Ontario, where they can be refined and turned into battery precursor materials and eventually batteries for cars.

Then fifth, in my last couple of seconds, we need to drive domestic demand. We need a zero-emission vehicle mandate that will actually require Canadians to buy these cars, and therefore they will be made in Canada, with Canadian batteries and Canadian metals and minerals. We need to connect to the supply chain.

• (1430)

Mr. Terry Sheehan: I truly appreciate that.

I'm also co-chair of the Canada-Japan Inter-Parliamentary Group. One of the things that Japan is really hungry for is for a stable partner, in particular with what's happening with Russia and North Korea and China over there. I think there's a lot of opportunity to attract some other investments, other than from the Americans, into northern Ontario.

How much more time do I have, Madam Chair? Do I have a couple of minutes?

The Chair: I'm sorry. No. You have one minute remaining, please.

Mr. Terry Sheehan: Okay.

Very quickly to the CLC, I was pleased to be in Montreal as a delegate many years ago. I don't know what year that was. It was years ago. I know that labour is going to play a significant role as we move to a cleaner, greener society and sustainable jobs.

The steelworkers were fabulous with us when we fought the 232 tariffs, and I asked them this: What could the CLC do with their American counterparts to work together as we decarbonize the economy and work for the jobs of the future?

The Chair: Can I get a brief answer, if possible?

Ms. Elizabeth Kwan: Yes.

The CLC actually works very closely with unions like the USW. We work with other unions, actually, on both sides of the border. That's where we exert our best contribution and most powerful contribution to the conversation and to policy development and to trade.

The Chair: Thank you very much.

Mr. Terry Sheehan: Thank you very much.

The Chair: Mr. Blaikie, you have two minutes.

Mr. Daniel Blaikie: Thank you very much.

I'd like to put to Mr. Zacharias the question I was asking before. To what extent is there already administrative infrastructure for proper industrial planning, or to what extent does it need to be built? If it needs to be built or approved, what do you think that looks like in the case of the industries you work in?

Dr. Mark Zacharias: I'll give an example.

We convened about 12 to 15 industries along the battery supply chain, from metals and minerals right through recycling at end of life. Our recommendations to government were several.

First and foremost, they are doing good jobs in certain parts of the value and supply chain, and then completely ignoring others. You have NRCan and you have ISED. You have Minister Champagne landing battery deals in Ontario and Quebec. That's excellent, but what we're saying is that without a holistic approach, you're going to miss the opportunity, and that is labour supply, skills training, building the infrastructure to get the critical minerals, building the infrastructure to get the electricity to these new plants, and then actually moving to a clean grid.

All the things we've actually talked about here are all important, and they are the parts that aren't happening right now. That is in addition to things like whether we need more production tax credits and whether we need to get moving quickly on this, but there is an entire vacuum that needs to get filled and recognized and acknowledged.

Canada can do it. It's just a matter of getting the right people in the room to move it forward.

Mr. Daniel Blaikie: Do you think government ought to be taking a leadership role in that convening capacity, or do you think that's something industry needs to do, and then come to government once that's done? What do you think the process of improving that infrastructure looks like?

Dr. Mark Zacharias: From our work at Clean Energy Canada, what we are finding is building industry alliances and building industry task forces and approaching government with solutions they can understand and adopt is the best way. We've done it with batter-

ies. We've done it on Buy Clean and clean procurement. I think we need collectively, all of us, to do it on clean electricity and on doubling our grid. That seems to be the only way to highlight that.

What we want government to do is commit to a strategy, more of a planning document, that says this step will be done, and when, and have all of the steps filled so we don't leave a hole at the end of the day and watch our investments flow back into the U.S.

The Chair: Thank you very much.

Thank you, Mr. Blaikie.

I want to thank the witnesses very much for their valuable information today.

I am going to suspend for a few minutes, as we have some committee business to deal with.

[Proceedings continue in camera]

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