



May 17, 2021

**Bill C-12, An Act respecting transparency and accountability in Canada's efforts to achieve net-zero greenhouse gas emissions by the year 2050.**

Dear Members of the Standing Committee on Environment and Sustainable Development,

Canada's chemistry sector, which includes plastics, contributes nearly \$80 billion to the Canadian economy and is the third largest manufacturing sector in the country. With nearly 200,000 highly skilled, well-paid jobs, it is among Canada's largest employers and exporters, and a leading source of wealth generation and government revenues.

The sector has a well-established history of innovation to solve society's most pressing needs. Chemistry and plastics will play an essential role in Canada's post-pandemic economic recovery. Our products are the nexus of all solutions to energy efficiency, net-zero emissions, and a circular economy. Despite the pandemic, demand for Canadian chemistry products has not slowed down – in fact, the need for our sector's products has grown. The future of the global chemistry sector is expected to grow rapidly in the coming decades to help reduce greenhouse gas (GHG) emissions and in support of the growing economy.

The chemistry industry is a world leader in low carbon chemical production. Currently, Canada's chemistry products are significantly less GHG-intensive than those produced in some European or Asian markets, which rely on crude oil as their feedstock. The low GHG intensity of our industry is due to Canada's abundant low-carbon resources such as natural gas and natural gas liquids, hydroelectricity, and biomass. In addition to introducing initiatives to lower emissions, many of CIAC's members have also made commitments to reduce emissions with several committing to net-zero emissions by 2050 or sooner.

The Canadian chemistry industry is a major key input into the following industries:

- **Infrastructure:** insulation, lighting and reflective roofs, green and recycled construction materials.
- **Transportation:** lightweight vehicle parts, fuel additives for fuel efficiency and batteries for electric vehicles.
- **Renewable energy:** in the development of solar panels and wind turbines.
- **Agriculture and Agri-food:** fertilizers for improved crop yield and food packaging to reduce food waste and carbon emissions.

The chemistry sector is committed to supporting the Canadian government and industries to reduce emissions. However, the government needs to actively engage and partner with our sector to spur the innovation and investments needed to ensure Canadian industries can successfully achieve net zero emissions while remaining competitive. While the chemistry

industry supports the federal government's efforts to reduce GHG emissions and to achieve net zero emissions by 2050, we have prepared the following comments to bring awareness to key opportunities and issues surrounding Bill C-12.

### **Industry Competitiveness and Investment**

While some sectors can pass on the cost of compliance by increasing the price of their products, companies in the Canadian chemistry industry can not. As an export driven industry, our products are priced globally against non-carbon priced jurisdictions. Additionally, many of the companies in Canada's chemistry sector are divisions of global entities which must compete internally for investment dollars that are needed to drive reductions in emissions and adopt low-carbon technologies. Under Bill C-12, the minister must set targets, describe sectoral strategies and subsequent emissions reduction plans five years in advance. Five years, however, is not enough time to make investment decisions for an effective emissions reduction strategy. For our sector, it will take upwards of ten-years to plan the investments needed to meet each target. Our sector needs a strong policy environment with clear and consistent targets and emissions reduction plans communicated in a timely manner to inform investment planning. Setting targets and policy further in advance will cultivate the stability and predictability needed to de-risk investments needed to decarbonize. Furthermore, to strengthen Bill C-12 each emissions reduction plan and progress report should assess the potential economic impact on industry competitiveness. As an Emissions-Intensive, Trade-Exposed (EITE) industry the potential of carbon leakage is high and constantly evolving. Therefore, all targets, emissions reduction plans, sectoral strategies and amendments should also have the approval of cabinet to ensure all perspectives including economic, social, and security, are included in the decision-making process.

### **RECOMMENDATION:**

- *Amend Bill C-12 to pass authority from the Minister of the Environment to the Governor-in-Council.*
- *Amend Bill C-12 to require an assessment of industry competitiveness and carbon leakage with each sectoral strategy and progress report.*
- *Release targets and emissions reduction plans further in advance to enable planning and incentivize long-term investment into low carbon solutions.*

### **Sectoral Engagement and Industry Representation**

The Government of Canada needs to implement a process to allow our sector to provide input on the government's emissions reduction plans, especially in regard to sectoral strategies. Currently, the only opportunity for our sector to provide input is through a written submission. This is not an adequate method to facilitate the collaboration needed between government and all industry sectors to help transition Canada to the low-carbon economy.

We recommend the minister include industry in the composition of the Net-Zero Advisory Body. In New Zealand and the United Kingdom members of the advisory body are expected to have knowledge of a range of sectors and industries in addition to experience in business competitiveness and economic analysis. To date, there is no industry representation on

Canada's Advisory Body or criteria listed for such an appointment. EITE sectors such as the chemistry sector need meaningful representation to assess potential competitiveness impacts caused by carbon leakage, consider the feasibility of emissions reduction plans, and develop solutions to decarbonize. CIAC recommends that the government set clear criteria for appointment to the Advisory Body with seats reserved for EITE industry representation.

**RECOMMENDATION:**

- *Clearly define the role of the Net Zero Advisory Body and the criteria for appointment.*
- *Allot a predetermined number of seats for representatives of EITE industries on the Advisory Body.*

Please contact us to discuss any questions or comments.

Sincerely,



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**About CIAC**

The Chemistry Industry Association of Canada is the association for leaders in Canada's chemistry and plastic sectors—adding \$54 billion and \$28 billion respectively to the Canadian economy. The Association represents close to 200 members and partners across the country. We provide coordination and leadership on key issues including innovation, investment, plastics, taxation, health and safety, environment, and regulatory initiatives.

**Responsible Care®**

All actions by CIAC members are governed by Responsible Care. Responsible Care is the flagship environmental, social and governance (ESG) program of our industry that ensures our members innovate for safer and greener products and processes, and work to continuously improve their environmental, health and safety performance. Launched in Canada in 1985 and now adopted globally and recognized by the United Nations, CIAC member-companies strive to “do the right thing and be seen to do the right thing.” This is our commitment to sustainability – delivering results for the betterment of society, the environment, and the economy.