

Written Submission for the Pre-Budget Consultations in Advance of the Federal 2021 Budget

By: The Canadian Steel Producers Association



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RECOMMENDATION 1: That the Government increase resources for importer verification and create a new and comprehensive approach to permit application and audit activities, while considering an effective administrative monetary penalty system, for non-complying importers and those who evade payment of duties under the *Special Import Measures Act* (SIMA).

RECOMMENDATION 2: That the Government reinstitute the requirement for an Import Permit with tailored fields for each shipment before landing in Canada.

RECOMMENDATION 3: That the Government recognize the integrated nature of the Canadian and American steel markets, as well as the importance of a strong and free trading relationship with the US, and understand that further imposition of duties, or any additional trading restrictions, would have negative consequences on Canadian steel producers.

RECOMMENDATION 4: That the Government establish procurement and infrastructure spending priorities and policies that recognize the economic, social and sustainability benefits of using Canadian or North American steel in regional infrastructure projects.

RECOMMENDATION 5: That a Canadian Steel Climate Council be established with key federal and provincial departments to monitor and report on the progress of the sector's climate strategy, to share best practices, engage with outside stakeholders, and to evolve the plan as new information and insights emerge.

RECOMMENDATION 6: That the Government of Canada direct revenues collected under carbon pricing programs back to the steel sector to further efforts to transition to a low carbon economy.

RECOMMENDATION 7: That the Government recapitalize the Strategic Innovation Fund to enable investment in the steel sector to enhance competitiveness, productivity, and low carbon solutions.

RECOMMENDATION 8: That the Government of Canada provide increased financial support for research and development into advanced low carbon iron and steel technologies.

RECOMMENDATION 9: That the Government of Canada provide financial support for collaboration on the development of technology platforms that will support the transition to net zero for multiple industrial sectors (2030+), as well as the steel supply chain. This includes investments in infrastructure to ensure the availability of abundant and affordable renewable electricity, as well as renewable hydrogen and bio syngas.

RECOMMENDATION 10: That the Government of Canada provide incentives for new investments in circular economy initiatives.

ABOUT THE CANADIAN STEEL PRODUCERS ASSOCIATION

The Canadian Steel Producers Association (“CSPA”) is the national voice of Canada’s \$15B steel industry. Member companies annually produce approximately 14 million tonnes of primary steel, steel pipe and tube products in over 20 facilities located across five provinces, supporting over 123,000 high-skill, high-wage jobs.

CSPA members serve the demands of North American customers with quality, competitive, innovative, and environmentally responsible products. The sector is an essential supplier to the automotive, manufacturing, infrastructure, transportation and energy sectors, and also plays a contributing role to the renewable energy sector.

RESTARTING THE CANADIAN ECONOMY AS IT RECOVERS FROM THE COVID-19 PANDEMIC.

The steel industry has had a long, proud history as a cornerstone of the Canadian economy, but it has been severely impacted by the COVID-19 pandemic. Production has been drastically reduced due to the decreased demand from primary markets, resulting in layoffs across the sector. Concurrently, steel producers are also facing increased levels of market distorting trade practices and product dumping. Unfairly traded steel is further hurting Canadian jobs and threatening to eliminate the use of Canadian steel in the domestic market.

As the country grapples with economic recovery, the CSPA and its members believe there are opportunities to support steel producers through this period while at the same time enhancing our competitiveness and lowering carbon emissions once we are out of it. Given the strategic importance that Canada’s steel sector plays in the Canadian economy as an advanced manufacturer and critical supplier to other key Canadian sectors, it is imperative that it be supported.

The CSPA is pleased to submit the following recommendations on measures the Federal Government could take to help support the steel sector. The recommendations are grouped into three priority areas for the industry: (1) improving domestic market demand and conditions; (2) supporting greenhouse gas reductions and competitiveness; and, (3) enhancing low carbon steel innovation.

1. IMPROVE DOMESTIC MARKET DEMAND AND CONDITIONS

The need for a strong domestic marketplace for steel in the face of uncertain global and national dynamics has never been greater. Despite the fact that global steel demand has decreased significantly as a result of the COVID-19 pandemic, certain major steel-producing nations have continued to produce at regular levels. Indeed, strong evidence suggests that other countries have built up inventories or are ramping up production and, as a result, threaten to overwhelm the Canadian market with a flood of unfairly traded steel.

The global steel sector was already facing an unprecedented overcapacity of steel prior to the pandemic, roughly 440 million tonnes, or 30 times the entire Canadian domestic production. As a result, many countries have taken trade actions to limit foreign access to their domestic marketplace. This overcapacity is a clear threat to our domestic industry, with the potential of a flood of unfairly dumped and subsidized

products entering the North American market resulting in dire economic consequences for our producers and their employees.

Without a strong and timely trade remedy system, these imports threaten to negate the benefits the industry has received from the Federal Government's COVID support programs and will compromise Canadian steel producers' participation in the anticipated recovery. Canadian manufacturers are reliant on Canada's trade remedy system to establish and maintain a level-playing field.

The relentless flow of unfairly traded goods driven primarily from the current overcapacity of steel, combined with the diversion risk associated with increased US protectionism, presents an opportunity to demonstrate Canada's commitment to taking actions aimed to maintain the North American trade dynamic.

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To further ensure subsidized products are not negatively impacting the Canadian market, the use of Canadian or North American steel in domestic infrastructure projects would help accelerate recovery for CSPA members by ensuring increased demand and production. Infrastructure spending is quite often a useful tool in economic recovery, but it would go even further should stipulations be put in place by the Government that incentivize the use of Canadian or North American steel to help to establish a level playing field. Canadian steel also has a greenhouse gas emission profile that is significantly less than foreign steel.

RECOMMENDATION 4: That the Government establish procurement and infrastructure spending priorities and policies that recognize the economic, social and sustainability benefits of using Canadian or North American steel in domestic infrastructure projects.

2. SUPPORTING GREENHOUSE GAS REDUCTIONS AND INVESTMENT IN COMPETITIVENESS

Since 1990, the Canadian steel industry has voluntarily invested to reduce its energy and carbon footprint, achieving a 17% reduction in absolute greenhouse gas emissions (GHG) emissions by 2018. This has been achieved through improving overall operational performance, adopting strong energy practices improving energy efficiency throughout its operations, and optimizing raw material selection and use.

Earlier this year, the Canadian steel industry put forward a new climate vision for the sector aimed at achieving net zero carbon dioxide emissions by 2050. The exciting long-term plan outlines a significant opportunity for the industry through collaboration with partners including Government, academia, customers, and the supply chain, to reduce emissions and find new solutions that will ensure low carbon steel is made in Canada for generations to come.

Given the scope of the effort and investment needed, a robust approach of policies, tools and programs are critical to enabling the deployment of low-emissions steelmaking.

RECOMMENDATION 5: That a Canadian Steel Climate Council be established with key federal and provincial departments to monitor and report on the progress of the sector's climate strategy, to share best practices, engage with outside stakeholders, and to evolve the plan as new information and insights emerge.

The cumulative cost of federal carbon programs (Output Based Pricing System, Clean Fuel Standard, fuel charge) should be minimized and consideration given to maintaining the competitiveness for Emission Intensive Trade Exposed sectors. The steel sector has the potential to invest in projects that would make a significant contribution to Canada's GHG reduction target, well beyond that of many other sectors. Revenues collected under carbon pricing programs should be recycled back to sectors with the most significant gains to be made towards Canada's GHG reduction targets.

RECOMMENDATION 6: That the Government of Canada direct revenues collected under carbon pricing programs back to the steel sector to further efforts to transition to a low carbon economy.

Under the new COVID realities the need for more investment is acute. Continued investment in new capital equipment and processes that enable improved competitiveness and productivity will be important. Furthermore, improving the existing competitiveness of the Canadian steel industry is a critical foundation to achieving our longer-term net zero objectives. It should be recognized that the Canadian operating environment for manufacturers of steel and steel products is higher cost than in other countries and our members face challenging environments to attract investment. There are existing shovel ready projects that would benefit from funding to enable their implementation in these difficult economic conditions and improve the business case for investment.

RECOMMENDATION 7: That the Government recapitalize the Strategic Innovation Fund to enable investment in the steel sector to enhance competitiveness, productivity, and low carbon solutions.

3. ENHANCING LOW CARBON STEEL INNOVATION

The Canadian steel industry is involved in several innovative areas that have the potential to significantly reduce steel sector GHG emissions. Through the efforts of the Canadian Carbonization Research Association (CCRA), the steel industry is leading research into several promising technologies and has mapped out a low carbon research agenda aimed at new processes that support our objective.

RECOMMENDATION 8: That the Government of Canada provide increased financial support for research and development into advanced low carbon iron and steel technologies.

To achieve CSPA's net zero goal by 2050, the development of innovative and green technologies is crucial. The scale and investment needed to develop and adopt these technologies, however, dictate that the sector cannot do it alone. Government must be a strong partner alongside industry to overcome the significant technological, economic and business risks associated with this transformation. This includes significant capital investments, public-private partnerships, and policies that support the industry during the transition.

RECOMMENDATION 9: That the Government of Canada provide financial support for collaboration on the development of technology platforms that will support the transition to net zero for multiple industrial sectors (2030+), as well as the steel supply chain. This includes investments in infrastructure to ensure the availability of abundant and affordable renewable electricity, as well as renewable hydrogen and bio syngas.

A critical component of Canada's transition to net zero will be creating a circular economy. Policy should focus on driving recycling and re-use of waste streams and incenting their use as inputs in manufacturing processes. Products should be rewarded for their reusability and recyclability. Steel is 100% recyclable, easily recoverable from waste streams, and can be repurposed infinitely. Financial support, such as tax incentives, are needed to help businesses that want to establish new, or transform existing, facilities.

Recommendation 10: That the Government of Canada provide incentives for new investments in circular economy initiatives.