

House of Commons Standing Committee on Finance
Re: Budget 2017 submission

August 5, 2016

Federal Budget 2017 will play a critical part in building our economy and demonstrating Canada's commitment to innovation, clean growth and addressing climate change. As Canada's largest petrochemical producer, we at NOVA Chemicals appreciate the opportunity to share some thoughts and perspective to the House of Commons Standing Committee on Finance.

By way of background, NOVA Chemicals is the largest petrochemical manufacturer in Canada, producing commodity and specialty plastics to make everyday life safer, healthier and easier. With a strong base right here in Canada, we compete globally with the world's largest companies for employees, feedstock, capital and customers. Proudly employing over 2,000 employees and hundreds of contractors across numerous sites in Alberta and Ontario, our operations have a significant positive economic and social impact in the communities we operate in and beyond. We are consistently among the top five producers of ethylene and polyethylene in North America, with our primary competitors located on the U.S. Gulf Coast and elsewhere in the United States.

In order to create and maintain competitiveness, in the last decade, we have made ongoing investments at our facilities in Canada of over \$3 billion, constantly evolving our facilities and approaches to our business. The majority of our investments have leveraged innovation and internally developed technology to enhance manufacturing, processes and energy efficiencies along with reductions in the combustion emissions of numerous pollutants such as CO₂, and oxides of nitrogen and sulphur (NO_x, SO_x). We have consistently improved environmental performance in our operations.

For example, the recent \$250 million conversion from oil based to natural gas based feedstock at our Corunna facility in Ontario required many engineering changes to allow for the lighter feedstock. It has been worth the effort because the list of benefits for NOVA Chemicals, our employees, the community and Ontario is long: a switch from heavier, more greenhouse gas (GHG) intensive fuels to gaseous fuels including zero-GHG hydrogen; a de-coupling from the uncertainty of global oil prices; reducing NO_x emissions with advanced burner technology; and nearly eliminating SO_x emissions. In addition, as the first company to import natural gas liquids from the Marcellus Basin to Canada, NOVA Chemicals is proudly adding value to these liquids and then exporting more than 65% of our products back to the U.S.

Presently, we are evaluating additional investments in Canada that could exceed \$2 billion over the next few years. Just like many of our competitors, NOVA Chemicals is part of an international family of companies so we must compete globally for investment capital. The cost of materials, taxation and incentive policies, as well as regulatory simplicity and certainty are critical components that determine investment confidence and final project approval decisions.

We strongly believe that Canada plays an important global role economically and environmentally and with a more attractive fiscal climate, we can attract more investment to position Canada as a premiere global player in a diversified economy with innovation and high paying, clean jobs at its core. Budget 2017 could play an important role in allowing for that investment and innovation to occur right here in Canada.

Particularly, NOVA Chemicals recommends:

- 1) Introducing an investment tax credit or accelerated write-downs for a minimum of 10 years to specifically apply to upgrading of resources into manufactured products.
- 2) Creating an investment tax credit for investment into greenhouse gas reducing technologies for a minimum of 10 years to incent greater long-term technological efforts to reduce emissions.
- 3) Making the 10-year extension of the Accelerated Capital Cost Allowance (ACCA) permanent for manufacturing and processing (M&P) and putting Canada on level ground with the US.
- 4) Introducing a special M&P corporate tax rate to encourage more value-added activity through our extensive natural resources.

With initiatives such as these, Canada would position itself as an attractive jurisdiction for investment in innovation, clean technology and resource value adding. It is precisely these types of investments that will transform our economy, create long term, high paying jobs for Canadians and enable Canada to meet its global commitment to combat climate change.

Thank you for the opportunity to share our thoughts and perspective. We look forward to additional engagement in this ongoing national dialogue.

Sincerely,



Naushad Jamani
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