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Chair: Mr. Raj Saini





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• (1830)

[English]

**The Chair (Mr. Raj Saini (Kitchener Centre, Lib.)):** Welcome, everyone, to the 12th meeting of the Special Committee on the Economic Relationship between Canada and the United States.

Pursuant to the motion adopted by the House on February 16, 2021, the special committee is meeting to discuss the economic relationship between Canada and the United States. Today, we are continuing our examination of buy America procurement policies, and we will finish the meeting in camera in order to get some drafting instructions from the members.

I would now like to warmly welcome our witnesses for the first panel.

From AddÉnergie Technologies Inc., we have Travis Allan, vice-president, public affairs and general counsel.

From the Canadian Canola Growers Association, we have Dave Carey, vice-president, government and industry relations; and Janelle Whitley, manager, policy development.

From IPEX Management Inc., we have Veso Sobot, director, government affairs and public relations.

Mr. Allan, the floor is yours for five minutes, please.

**Mr. Travis Allan (Vice-President, Public Affairs and General Counsel, AddÉnergie Technologies Inc.):** Thank you very much, Mr. Chair.

Thank you to you and the committee members for this opportunity to contribute to your study on the recent U.S. executive order for more stringent buy America measures.

[Translation]

We sincerely appreciate the opportunity to share our observations on this topic.

[English]

AddÉnergie is a Quebec-based company and a North American leader in electric vehicle charging solutions. We are vertically integrated, manufacturing our stations at our plant in Shawinigan while also operating FLO, which is the network that connects our charging stations at our head office in Quebec City.

Our software and R and D operations are divided between Montreal and Quebec. Since 2009, we have grown to over 210 direct jobs, and we procure approximately 85% of our expenses from Canadian suppliers.

AddÉnergie is a proud Canadian clean-tech exporter as well. To support our growth and complement our production capacity in Quebec, it is our intention to build a plant in the United States.

We also plan to participate in what is likely to be the largest deployment of EV charging stations in North American history, namely 500,000 EV charging stations by 2030, as proposed under the American jobs plan.

We are concerned that current or potentially enhanced buy America measures may significantly hamper U.S. transportation electrification and impact Canadian companies working toward that goal if they are applied to Canadian-made EV charging stations.

For our American allies to reduce their greenhouse gas emissions by half by 2030, as President Biden has proposed, it is crucial that they have access as soon as possible to a highly competitive and reliable supply of clean technology and clean energy from trusted companies on both sides of the border.

We think AddÉnergie is one of these competitive and reliable companies. We deliver our high-quality charging solutions from the Yukon all the way to Los Angeles. With respect to our products, we sold over 40,000 charging stations that can handle extreme conditions from -40°C to +50°C, freezing rain and snowstorms. Our key suppliers are based in North America, which means a shorter supply chain that is better sheltered from global shocks.

Our concern with the application of the buy America regime is based first on its impact on the costs of production, and second on risks that it will be inconsistently applied or implemented too rapidly for us to fairly and effectively compete.

On the issue of cost, broader buy America rules, if applied to EV charging, could and will limit our ability to produce stations in an efficient and integrated way. Requiring all stations to be manufactured in the United States, for example, using 100% U.S. components, would likely duplicate production lines, hike production costs across the industry and ultimately increase the burden on U.S. taxpayers to achieve procurement goals.

We are concerned also about the timing and clarity of any changes proposed to current buy America rules. At this time we are unable to predict how buy America requirements will be applied by different departments and agencies as funding gets earmarked to support transportation electrification. Depending on how buy America is interpreted to apply to stations, it could take many months, if not years, to adjust our supply chain appropriately. Further, even once supply chain issues are addressed, we're likely to require recertification of our products, which adds still more time before we can get them to market.

In other words, hastier, overbroad implementation of enhanced buy America requirements is likely to increase costs, slow delivery and reduce the options available to U.S. purchasers, none of which helps the United States reduce emissions and all of which are negative for Canada's clean-tech export sector.

To be clear, we genuinely believe in free trade and the role competition plays in this space. What we're asking for is the same access to the U.S. market that Canada provides to our U.S. competitors, both to public procurement and to government incentives.

Canada is making efforts to expand its own greening government efforts, and just as we have welcomed U.S. competition in Canada, we hope the U.S. will welcome Canadian products in its market.

For these reasons, we hope the Canadian government will work closely with our American allies to address buy America measures with respect to clean-tech exports, including EV charging. This includes promoting Canada and its clean-tech exporters as trusted and reliable partners in support of U.S. climate objectives and infrastructure programs.

Ideally, the United States would not interpret buy America as applying to Canadian EV charging stations. If it's found to apply, an exemption or a waiver for Canadian stations would allow us to achieve maximum economies of scale and provide the best value for folks on both sides of the border.

AddÉnergie appreciates the opportunity to explain how an exemption from the buy America regime or a waiver could allow us to further contribute to the reduction of transportation emissions and to the clean-tech manufacturing sector on both sides of the border.

I look forward to answering any questions you may have.

● (1835)

[*Translation*]

Thank you.

[*English*]

**The Chair:** Thank you very much, Mr. Allan.

We'll now go to Mr. Carey for five minutes, please.

**Mr. Dave Carey (Vice-President, Government and Industry Relations, Canadian Canola Growers Association):** Thank you for the invitation to appear before this special committee.

As mentioned, my name is Dave Carey. I'm the Canadian Canola Growers Association's vice-president of government and industry relations, based here in Ottawa. I am joined by my colleague

Janelle Whitley in Winnipeg, who leads our policy development on international trade. We're the national association of Canada's 43,000 canola farmers, representing them on issues, policies and programs that impact their farms' success.

Developed in Canada, canola is a staple of Canadian agriculture, as well as Canadian science and innovation. Today it is Canada's most widely planted crop and is the largest farm cash receipt of any agricultural commodity, earning Canadian farmers over \$10.2 billion in 2020. Annually, the canola sector contributes \$29.9 billion to the Canadian economy and provides for 207,000 jobs. The U.S. is our largest export market, accounting for roughly 30% of our seed, oil and meal exports in 2020.

Canola is harvested for its seed, which is then processed into oil and meal. In 2020, Canada sold \$3.7 billion in canola to the United States: \$2 billion in oil and \$1.3 billion in meal. The U.S. purchases 50% and 70% of our total oil and meal exports respectively.

North America is an integrated agriculture market, with many of our industry partners operating in both Canada and the United States. Canola products are critical inputs into U.S. food and feed supply chains. For example, canola's heart healthy oil is an important ingredient in consumer food products. The geographic proximity of our markets and the vertically integrated North American agribusiness sector is well positioned to serve our respective markets.

Underpinning our economic relationship is the CUSMA. We were encouraged by its implementation in July 2020, as it preserved our market access and restored predictability and certainty.

At present, canola faces little in the way of barriers. Since NAFTA's implementation, canola sales to the U.S. have grown, significantly driving development of our sector here in Canada. Strong U.S. canola oil and meal demand supports our value-added sector. Today a network of 14 oilseed facilities processes seed here at home. Maintaining value added in Canada is an integral component of canola's \$29.9-billion contribution to the Canadian economy. Furthermore, many of these processing facilities are in rural Canada, supporting local communities, sustaining rural employment and providing sales opportunities for our farmers.

I appreciate that this study is focused on buy America and other associated issues. Buy America and President Biden's plan to tighten requirements have not yet impacted our farmers. Canola is sold into the private market, and our larger sector has no direct involvement with government procurement or assistance.

That said, farmers require stable and understood rules of trade. They establish certainty in markets and the requirements for doing business, enable investment and reduce risk as well as cost. Stable market access also includes streamlined and aligned regulatory processes, particularly for crop protection products and seed varieties enhanced through biotechnology.

An increasing market of interest for canola farmers is biodiesel. Canola is a high-quality feedstock. As both of our countries seek a cleaner energy future, farmers can help meet the growing need for low-carbon biofuels on the continent. The free flow of biofuels, their feedstocks and finished fuels is thus important.

As both of our countries develop and implement strengthened policies targeting the environmental profile of liquid fuels, we cannot imperil this trade environment. The forthcoming Canadian clean fuel regulation needs to ensure that it does not negatively impact the free trade we currently enjoy.

Recently announced major investments in increasing canola crushing capacity and the potential for large-scale investment in diesel biofuel production in Canada will be used by commercial parties not only to satisfy their regulatory obligations in Canada, but to provide feedstock and biofuels to U.S. customers as well.

We look forward to your questions today.

Thank you.

• (1840)

**The Chair:** Thank you, Mr. Carey.

Now we will go to Mr. Sobot for five minutes, please.

**Mr. Veso Sobot (Director, Government Affairs and Public Relations, IPEX Management Inc.):** I'm an engineer with IPEX. We're based in Oakville, Ontario. We make the black plumbing pipe under your sink, the grey pipe that brings power to your house, the blue pipe that brings clean water to your tap, the green pipe that takes your sewage away, as well as many other pipes that are used in hospitals and in commercial and industrial construction.

We were founded in 1949 by a fearless Estonian. He rented a house in downtown Toronto, started making hula hoops at night and selling them during the day, and by 1953 hula hoops were everywhere. Always innovating, sensing the hula hoop might be a fad, he straightened out the hula hoop, and that's how he got into the pipe business. By the way, he also invented those red gas cans you see absolutely everywhere.

Today IPEX exports to 66 countries from our 15 plants in Canada and our 10 plants in the United States, with thousands of dedicated team members.

Growth for us in America has been very robust. USMCA, or CUSMA as we call it, has been very helpful in many respects, but contrary to common belief, it does not protect us from buy America. Canadian companies continue to be blocked on U.S. federal-

funded infrastructure projects, while American firms have unfettered access to Canada.

Ironically, IPEX buys American all day long. Our products are made from American resin. Natural gas, often from Canada, makes it down to the U.S., where it's cracked into ethylene and combined with chlorine from salts. The pellets come back to Canada, where they're used to make long-life products such as siding, windows, soffits, decking, fencing, and of course in our case, pipes.

Last year 18% of all U.S. vinyl resin production came to Canada. China was its second biggest customer at 10.1%, and Mexico was its third biggest customer at 10%. This year it's expected that Canada will be bigger than China and Mexico combined.

We are America's biggest customer, and yet we are being prevented from shipping finished goods back into the United States, even though there's a shortage in the U.S. currently.

Prime Minister Harper successfully secured an exemption to buy America in February 2010, with President Obama. We think the time is right for Prime Minister Trudeau to do the same with President Biden. It's in America's best interests to use Canadian vinyl products rather than Chinese. We share similar laws, regulations, business practices and environmental protections. More importantly, we are allies.

The focus on green infrastructure in both countries is another reason Canadian products should qualify for an exemption to buy America.

An example of the beneficial Canada-U.S. trade relationship can be found in Burton, Michigan, just outside of Flint. Over the last six years, Burton has worked to remove lead in their water supply. After careful due diligence, Burton embarked on a 19-mile water main replacement program using a Canadian innovation: biaxially oriented lead-free vinyl pipe. It conserves resources by using significantly less material and reducing its environmental footprint while providing high strength.

The pipe was made in Saint-Laurent, Quebec, just outside of Montreal using Unifor union labour and was installed by LiUNA members on the opposite side of the border.

Burton now has cleaner water, has minimized its environmental footprint and has saved \$2.1 million using a Canadian-innovated product. Indeed, a 2018 Utah State University study confirmed Burton's prudent decision. The study showed that break rates for Canadian vinyl pipe are best in class, inferring that there's a great benefit for American municipalities in using innovative Canadian technology for infrastructure renewal.

We also make a seismic pipe used in earthquake-prone zones. It was developed and tested with the help of Cornell University's seismic lab in Ithaca, New York. The pipes are now used all along the U.S. west coast.

I've shared just two examples this evening, but as you can appreciate, I could have shared hundreds, had we had time.

In conclusion, we urge the committee to work for an exemption to buy America so that the benefits of free and fair trade can be mutually maximized for both countries post-COVID.

Thank you very much,. I look forward to your questions.

• (1845)

**The Chair:** Thank you, Mr. Sobot.

We will start the questioning round with Mr. Lewis for six minutes, please.

**Mr. Chris Lewis (Essex, CPC):** Thank you, Mr. Chair, I appreciate it.

Thank you to all the witnesses for the excellent testimony this evening.

Mr. Sobot, that was pretty remarkable—seismic pipe. That's something that just blows my mind. It's fantastic.

I'll go, sir, to you first—but of course through our chair.

You mentioned bringing in little pellets from the United States. In essence, does it make sense that in order to buy American we'd have to buy American first to bring it to Canada in order to turn around and sell it back to the United States? Does that make sense?

**Mr. Veso Sobot:** Absolutely. That's why I said that we feel we buy American all day long. Most of the pellets come from the United States. What we do is convert them into useful construction materials.

It would seem to me that Canada should have an exemption to buy America, like we had back in 2010. I figure if Harper could do it with Obama, Trudeau should be able to do it with Biden. They're more ideologically congruent. It's in America's best interest. If they were not to give us an exemption, it would be terrible to have to look elsewhere for our raw materials.

**Mr. Chris Lewis:** I understand.

Through you, again, Mr. Chair, I will go back to the same witness, please.

I think that most of us around this table will agree that the chance for recovery—COVID-19 recovery specifically—is going to be through infrastructure. The one thing we know for sure is that our sewers, our drinking water and all of the things that require pipe are

not going away. As a matter of fact, we're going to need more and more of it all the time.

The opportunity here to really work with our greatest trading partner, the United States of America.... What kind of an impact would there be on our United States friends if your company couldn't export to them under fair trading role models?

**Mr. Veso Sobot:** They'd lose business, quite frankly.

There is a shortage of pipe in the United States right now. Historically, Canada has always served as a relief valve for their economy when it got too hot. We've always served a useful purpose in that regard. If we cannot ship the finished pipe back into the United States, they will have to buy it from somewhere else. They'll probably be buying it from China, and I can't see how that's better for them.

**Mr. Chris Lewis:** Thank you.

Mr. Chair, through you, again, I will go to the same witness.

I'm sorry to pick on you, sir, but you really intrigued me there.

What specifically can this committee do to help your industry but also to help Canada and this whole relationship? Is there something very specific you could share with this committee?

**Mr. Veso Sobot:** I think what we really should be doing is talking with the USTR and making sure the lines of communication are open.

Back in 2009-10, when we were cut out the first time, then-prime minister Harper invited all U.S. manufacturers that had plants in Canada to the Canadian embassy, and he had a little discussion with them. They, by the way, were having a difficult time shipping their product, which they made in Canada, back into the United States. He made it clear that this was an unintended consequence of buy America. He asked them all to go back to President Obama and tell him about the unintended consequences and the damage it was doing to American companies. That was very effective.

A lot of American companies ship into Canada. If we were to start doing to them what they did to us, I think they'd run back to their members of Congress and senators right away and say, "Hey, we have to fix this problem." Quite frankly, they need our markets, they want our markets, and reciprocal trade is the core of free and fair trade.

**Mr. Chris Lewis:** Mr. Chair, I'll go back to the same witness, please.

Mr. Sobot, I'm intrigued with those little pellets. Is there any opportunity to purchase them from a Canadian supplier, or do they have to be purchased through United States suppliers?

• (1850)

**Mr. Veso Sobot:** In the past, we have bought from a Canadian supplier based in Niagara Falls, Ontario. There are only four or five major resin suppliers in North America. It's just over the last 30 years that our supply chains have evolved in such a way that we're buying from the Americans right now.

Quite frankly, there is a shortage of pellets in the marketplace right now. Our existing supply chains are very important. We're stuck with them right now. Certainly, if we were ever to develop some of our resources here in Canada, we'd be very amenable to buying more Canadian goods. In the meantime, we have to resort to alternate suppliers, even in Europe, for example.

**The Chair:** You have 30 seconds, Mr. Lewis, for the question and answer, please.

**Mr. Chris Lewis:** Thank you, Mr. Chair.

As a final thought, I was really intrigued when you mentioned removing lead from our waterlines. I know that in Flint, Michigan, it was a major issue. It continues to be an issue. I believe, sir, that you had mentioned it was Canadian technology. I'm just wondering what this relationship continues to be for the United States.

**The Chair:** Give a short answer, Mr. Sobot, please.

**Mr. Veso Sobot:** The mayor of Burton, Paula Zelenko, a great lady, did extraordinary research on what was the best option for them moving forward. Flint has moved in this direction, too. If you'll recall, years ago they had a lead problem. They're going this way, too. I think that's a great example of Canadian solutions for American problems.

**Mr. Chris Lewis:** Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Lewis.

We'll now go to Mr. McKay for six minutes, please.

**Hon. John McKay (Scarborough—Guildwood, Lib.):** Thank you, Chair.

Last night I was on House duty. As long as you don't tell anybody, Mr. Chair, I didn't entirely participate in House duty; rather, I watched President Biden make his speech. If there was any doubt about the intentions of the American president, he certainly laid them to rest last night when he said the phrase that he'd be telling his secretaries not to be granting any exemptions. I think we're in a very difficult situation.

Mr. Sobot, you seem to be a very popular witness today, so I'll direct the question first to you and then to Mr. Allan.

I once sat at a breakfast with possibly one of your competitors, who was selling PVC pipe into the United States to an American military installation. Under that particular exercise, where we have an exemption for military goods, somebody got the idea this was Canadian pipe and after it was already installed, it got ripped up.

If, in fact, no exemption is granted, what is plan B for your company?

**Mr. Veso Sobot:** First off, John, I want to say hello. I lived on 2 South Marine Drive for many, many years. You would knock on my door frequently and we'd chat. We had long chats about the issue of the day. It's great to see you.

**Hon. John McKay:** My goodness. I'm sorry I didn't recognize you. Were you the guy I had breakfast with?

**Mr. Veso Sobot:** Yes.

**Hon. John McKay:** Okay. I remembered your story. Hilarious.

**Mr. Veso Sobot:** That's right.

We have a plant at 807 Pharmacy, in Scarborough, right by Eglinton and Victoria Park. We've had that plant since 1953.

Yes, you were wonderful when we had that conversation.

In fact, what happened—it was at Camp Pendleton—was they exhumed our fittings. They stopped the project for a month. They spent hundreds of thousands of dollars in delays, replaced our fittings with fittings that were made in the United States and that were identical to ours. All the while we were covered under NAFTA. They didn't have the right to do that and shouldn't have done that. In the end, that was a compelling story the prime minister shared with the president. That's one of the reasons why I think we got the exemption, because it didn't make sense. It was hurting the Americans, it was hurting us, and no one was winning in the whole process.

What's our plan B? Unfortunately, it's to build more plants in the United States. Buy America.... I'm a Canadian. I love Canada. Our founders loved Canada. They escaped from Estonia. They ran from the Russians. I would prefer we make those investments in Canada, I really would, and I hope we can. I think we can. If Harper and Obama could come to an agreement, I'm sure Trudeau and Biden can.

• (1855)

**Hon. John McKay:** I must admit, after playing hooky on House duty last night, I'm maybe not quite as convinced. He was pretty strong.

Mr. Allan, you have also set up a plan B, which is putting more factories into the U.S. I'm assuming that's a considerable investment. How far advanced are you in that planning, if in fact this scenario turns out to be as grim as we think it might be?

**Mr. Travis Allan:** Thank you for the question.

We're pretty advanced. We've undertaken an RFI process and gone through the whole process of asking different states how committed they are to electrification and analyzing all the different cost factors that influenced that decision.

Honestly, the decision to build the factory in the U.S. is also partially about showing that we are committed to the U.S. market, and we want to be part of helping that economy as well benefit from the opportunities with electrification.

For us, the really big distinction is whether we can do this in an efficient way like the auto sector does, which is an integrated continental manufacturing structure where maybe you produce one product line in the U.S. and continue to produce most here in Canada. Can we do that in a way that's good for consumers and good for our economy, or do we have to do it in a way that's duplicative, raises costs, has double product lines built in Canada and the United States and basically raises costs for everyone? That is the number one concern, I would say, on our radar right now.

Number two, I think Mr. Sobot's story is just such a great concrete illustration of the wild things that happen when you have a protectionist system like this, which is just so open to misinterpretation or misapplication by different levels of government that are interpreting it. That's another thing we're very concerned about.

**The Chair:** Mr. McKay, you have 20 seconds.

**Hon. John McKay:** I'll just say that, Mr. Sobot, you and I should have another breakfast. It's the kind of story that sticks in your mind.

The logic of what the Americans propose doing to canola, to your industry or to Mr. Allan's doesn't make any sense whatsoever, but we are where we are.

**Mr. Veso Sobot:** It would be an honour to have breakfast with you again. You just name the place and time.

**Hon. John McKay:** Okay. If we get the exemption, you buy. If we don't get the exemption—

**Mr. Veso Sobot:** It's a deal.

**The Chair:** Thank you, Mr. McKay.

[*Translation*]

Mr. Savard-Tremblay, you have the floor for six minutes.

**Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ):** Thank you, Mr. Chair.

I want to acknowledge all the witnesses and my colleagues.

Mr. Allan, I greatly appreciate AddÉnergie's contribution to transportation electrification, an issue close to my heart.

Normally, my constituency hosts a very large electric vehicle show, which is always a great success. I imagine that AddÉnergie has already participated in it. I hope to see you at the next show in person and, although it seems strange to say at this time, shake your hand.

You're promoting some form of exemption for Canadian-made clean technology products destined for the American market, which could lead to a green technology agreement.

If we compare the two countries, how does American expertise in electrification and green technology measure up to Canada's expertise?

This would give us an overview for tenders and government contracts.

Which of the two countries might be more successful?

[*English*]

**Mr. Travis Allan:** Thank you.

I am so excited to get out of my Haliburton living room and get out to a real EV auto show again. I really look forward to that.

We have some very strong competition in the United States, and I would never mislead you about that. There are some great companies, and I am proud to say that Canada and Quebec have managed to also field an absolute world leader in this area. We don't win them all, but we win a lot of the competitions, and that is exactly it. We want to be able to compete fairly. We think we can win. We think our technology is as good, and frankly, we're really excited to be able to compete—the challenge being getting to compete, of course.

• (1900)

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay:** Would you say that the electrification and green technology expertise of both countries is the same or are there niches, if you can call them that?

[*English*]

**Mr. Travis Allan:** I think Canada has been a real early leader, particularly around charging stations, around medium- and heavy-duty electrification. We have some excellent companies in that regard.

One of the things that we are concerned about for the United States is that if they're trying to hit these 2030 targets without having access to Canadian production, it's going to be very hard for them to meet those targets. I think that's a real risk.

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay:** Why are you saying that it would be very difficult for them?

Is there a lack of expertise or companies?

[*English*]

**Mr. Travis Allan:** Their domestic manufacturing is more limited than in Canada. I think a number of the companies in the space are going to have to deal with the same supply chain issues that I mentioned before in trying to figure out how to meet buy American rules. I do think there will be some challenges meeting their targets because of that.

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay:** What's the nature of most companies involved in this field in the United States?

We know that, in Canada, the companies are mostly small and medium-sized enterprises, many of which are in Quebec.

In the United States, are the companies multinational corporations or SMEs?



[English]

**Mr. Travis Allan:** In the United States there is a combination of large global players, both from domestic players in the charging space, largely based out of California, and also some medium-duty growing companies. Then there are increasingly large European and also Chinese manufacturers that are starting to sell into the market, and in some cases, they are also starting to build plants in the United States.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** I gather that, since some Chinese giants would also like to access these large government contracts, we can assume that you aren't advocating for the elimination of the Buy American Act, but rather for a Buy American Act that favours Canada's position. A multi-faceted openness could simply give the Chinese giants a better chance.

[English]

**Mr. Travis Allan:** I think that's an excellent way of putting it. Given the history of trade agreements between our two countries and the fact that Americans are accessing 9% of Canadian government procurements, compared to a much smaller amount by Canadians, I think it is very reasonable for the United States to carve out Canada as a special ally in this case.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Perfect. Thank you.

Mr. Chair, how much time do I have left?

**The Chair:** You have 30 seconds left.

**Mr. Simon-Pierre Savard-Tremblay:** I'll give my remaining 30 seconds to the next speaker.

**The Chair:** Thank you, Mr. Savard-Tremblay.

[English]

Mr. Cannings, welcome to the committee.

You have six minutes.

**Mr. Richard Cannings (South Okanagan—West Kootenay, NDP):** Thank you.

Thanks to all the witnesses here today.

Again, it's been a very interesting time already. I really learned a lot. I especially enjoyed the story about hula hoops, which I will try to use in some form in the future.

Mr. Carey, I don't want to make you think we've forgotten all about canola. I usually sit on the natural resources committee. We're talking about clean fuels, including biodiesel. You mentioned biodiesel. I'm just wondering, Mr. Carey, if you could tell us how much of the canola production in Canada that's exported goes to biodiesel or the proportion that is used for biodiesel right now within Canada.

• (1905)

**Mr. Dave Carey:** That's a great question.

On an annual basis, approximately 20 million tonnes of canola are produced. About 10 million tonnes of that is now value added.

It's crushed at a processing facility instead of being sold as the raw product, as seed.

Quite frankly, our two biggest export markets when it comes to biofuels would be to satisfy our domestic market. About \$640-odd million a year go to the European Union, and that's really driven by their strong demand for canola-based biofuels. In the United States, it would be a combination of oil for cooking, for other value added. We do think if we got that clean fuel regulation correct, as you alluded to, that could be another 1.3 million tonnes annually that would be crushed here, roughly the size of our Japanese export market.

Biofuels have been critical as far as hedging against trade volatility is concerned.

**Mr. Richard Cannings:** When we're talking about the United States, what are the clean fuel regulations there? How does biodiesel play into that market, and what role can Canada play to supply that market? I'm trying to figure out how canola fits into the buy America situation.

**Mr. Dave Carey:** Absolutely.

We've had 10 years of reciprocal aggregate compliance between the United States EPA and Agriculture and Agri-Food Canada that recognizes both of our markets' production practices as sustainable. Unfettered access across the 49th parallel is critical for canola—Canada controls 60% of the world's canola—to be able to move unfettered into the United States.

Ninety per cent of canola grown in Canada is exported; that was \$11.9 billion in 2020. The big concern, Mr. Chair, around buy America is that we rely on the United States as a global partner to promote rules-based trade. We rely on it to promote the World Trade Organization. We rely on it to promote that, post-COVID, we cannot have the rise of protectionism. Buy America is concerning for canola as an export-oriented crop and concerning for Canada as a middle power. If our biggest trading nation no longer respects rules-based trade, that's a really strong signal as we're trying to reform the appellate body of the World Trade Organization, as we look at the Ottawa group.

We're here from an existential sort of perspective as, post-COVID-19, we've seen this rise in protectionism. We need to make sure that we get back to what makes Canada great, which is being an exporting nation, as fellow witnesses have said. We don't want to alienate the United States, but we also need to make sure that we take them to task. We can't hold China responsible for its trade issues if the United States isn't willing to step up. Those are, I guess, our critical concerns there.

**Mr. Richard Cannings:** Thank you.

I'll turn to Mr. Sobot again.

When I'm thinking about this from a natural resources point of view, I know that one of the big disagreements we've had with the United States—and I talked about this the last time I was on this committee—is the softwood lumber disagreement and how that whole situation is one of the major reasons we have such soaring lumber prices in Canada, for instance, and across North America. We use that argument in the United States to say, “Why do you punish us? You're only punishing yourself. You're making it much more expensive to build houses, to do everything.” However, that doesn't seem to gain enough traction.

I'm wondering if there's any argument there with regard to, for instance, your pipe. Is that something that, if you were excluded from the U.S. market, would affect prices in any way? Can we use that argument with the United States?

**Mr. Veso Sobot:** Yes, Mr. Cannings, that's exactly right. If we were to not supply the U.S. market with its raw material, its prices would go up drastically. Quite frankly, what's happened in our marketplace is that products have gone up 60% because of raw material increases over the last couple of months, so it would be hurting them; there's no question.

The protection against that is fair and open competition. Allow as many products as you can. Have fair and open competition. The price will come down. That's what Burton, Michigan, found. It found that when it opened up competition—we won the bid—it saved \$2.1 million over the next competing bid. Mayor Zelenko, a Democrat, recognized that and didn't mind that it came from Canada. She sat on the international trade committee, by the way, for Canada and the United States when she was in the state legislature, and she saw Canada as a valuable ally, not as a competitor.

One of the reasons we—

Sorry, go ahead.

• (1910)

**The Chair:** Sorry, Mr. Sobot. Finish up very quickly, please. We're really short on time today.

**Mr. Veso Sobot:** One of the ways we got the exemption last time was that we found out that there's an American competitor that had exclusive domain in Canada. It was the one that was behind the buy America initiative. It paid, literally, millions of dollars to its congressman to get buy America written in. When that was found out, the Canadian embassy worked very diligently and brilliantly and brought them in to the embassy. They signed a letter that said they were worried about China, not Canada, and that was really an important point. That's what changed the game. That letter was given to the USTR and the President of the United States, and that's how Canada got the exemption.

**The Chair:** Thank you, Mr. Cannings.

We'll go to our second round.

Mr. Hoback, you have five minutes, please.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Mr. Chair.

Thank you, witnesses, for being here on a Thursday evening.

Mr. Carey, I'll start off with you.

I'm from Saskatchewan. I'm really excited about Saskatchewan and canola, and you can understand why. We see another, what, \$1 billion that is going to be invested in Saskatchewan, three new facilities opening up. In fact, we're going to be in the scenario, probably, where we won't have enough raw product in the province of Saskatchewan, so we're going to have to pull out of Manitoba, Alberta and North Dakota. With regard to buy America, I'm trying to understand what that does for the actual construction costs for these facilities.

Mr. Sobot, I'm going to ask you about the price of your pipe right now, here, pretty quickly.

As we see a shortage in lumber, a shortage in cement, a shortage in steel, what does that mean for these plants and their expanding at this point in time? Does that concern you?

**Mr. Dave Carey:** Mr. Hoback, thanks for the question.

Being a farmer rep, it's hard to know, but I could certainly commit to getting back to you and the clerk in writing after speaking with COPA, which represents the processors. I know they're very bullish on this as far as that \$1-billion investment in Regina is concerned.

However, it speaks to, as my fellow witnesses have said, Canada needing an exemption from this. We have a special trading relationship. We're so integrated that, if there is not an exemption, it will certainly make life more difficult in terms of these processing plants, with billions of dollars invested in Regina and other places. Their operating costs will certainly increase.

From a farmer's perspective, more trade volatility is not what we need these days. I can certainly commit to speaking with Chris at COPA and getting back to you. For sure, for all the reasons we've alluded to, it's concerning when the United States isn't following rules-based trade.

**Mr. Randy Hoback:** As we hear President Biden talk about his environmental plan and how we're supposed to be on the same page and try to create a North American environmental plan with biofuels somehow fitting into that, it's going to be interesting to see if they come up to our standards, because we've leaped ahead of them quite a bit already, or if we're actually going to lower our standards to meet theirs. There are some things to be learned here.

Mr. Sobot, I'm going to go to you.

On the PEX pipe shortage in Canada, why should I feel sorry that you can't sell them to the U.S. if you can't even supply the market already in Canada?

That's just a hypothetical question.

**Mr. Veso Sobot:** We think the shortage in Canada for PEX pipe is temporary. The shortage was created because all the chemical plants in Louisiana and Texas went down in that big ice storm. We think things are going to go back to normal in June.

We're not asking you to be sorry for us; we're just explaining the lay of the land. That's all.

**Mr. Randy Hoback:** How do you explain this, then? We see this [*Technical difficulty—Editor*] to get the economy going again. We see \$100 billion talked about here in Canada for stimulus.

As I said, for lumber, good luck, or for OSB. When you look at construction materials, the cost of housing is actually starting to really inflate.

Are we not just adding more fuel to a fire that doesn't necessarily need it?

**Mr. Veso Sobot:** This has been puzzling me. I don't understand why there's so much inflation out there right now. I hope it's not because the government is printing money. If that's the case, we're in big trouble, because we're going to have a tough two, three or four years, trade or no trade.

However, I don't think that's what's going on right now, not in the plastics sector anyway. As I mentioned before, the plastics sector was hit with very bad weather. Everybody is going to be back on-line by June.

• (1915)

**Mr. Randy Hoback:** As we see this program unwind in the U.S. and our stimulus here in Canada, if you feel that you have to be in the U.S., will that mean you'll be shutting plants down in Canada and fulfilling the Canadian marketplace out of your plants and new facilities in the U.S. in order to take advantage of buy America?

As you said, you can build in the U.S. and ship to Canada all you want, but you can't go the other way.

**Mr. Veso Sobot:** That's my worry. We have 15 plants in Canada now and 10 in the United States. We'll be making investments on both sides of the border this year. We have significant investments planned.

I'm worried that the economic circumstances will be such that it will be more profitable for us to invest in America rather than Canada. That's what I worry about. I've been with the company for 31 years; I'd like to see another fantastic five years of growth in Canada and the United States. I don't want Canada to lose out on opportunities.

**Mr. Randy Hoback:** You talked about Harper and Obama making—

**The Chair:** Mr. Hoback, you have 15 seconds for a question.

**Mr. Randy Hoback:** Chair, I will stop there instead of starting a new round.

Mr. Sobot, I will say this. John can buy you dinner or breakfast. I'll buy you lunch. How's that?

**Mr. Veso Sobot:** It's a deal.

**The Chair:** Thank you very much, Mr. Hoback.

[*Translation*]

Ms. Romanado, you have the floor for five minutes.

[*English*]

**Mrs. Sherry Romanado (Longueuil—Charles-LeMoine, Lib.):** Thank you so much, Mr. Chair.

Before I begin, I want to say hello again to Mr. Carey. As chair of the industry, science and technology committee, I know you presented to us earlier this week, so it's a pleasure to see you again.

It's tough going in the second round because people already asked the questions that I wanted to ask, but I do want to elaborate a little more with Mr. Allen.

As a very happy client of AddÉnergie, I have to say, I am very interested in hearing a little more about what you're trying to do. This week at the industry, science and technology committee we heard a little about the opportunities in Canada with respect to natural resources for battery production.

For instance, we have a lot of resources in terms of lithium and graphite. While we don't actually make the batteries, we assemble them here in Canada. When you look at the road map for a renewed U.S.-Canada partnership and the Canada-U.S. critical minerals action plan, can you elaborate a little on how collaboration between Canada and the United States in terms of not only assembly but also production of batteries for electric vehicles could help your company? Perhaps you could expand on how it could be a win-win opportunity for both Canada and the U.S.

**Mr. Travis Allan:** Thank you.

I can't agree more. The opportunities right now with the change to electrified transportation writ large are so enormous. I like to think about it in terms of a couple of key parts.

There's the vehicle assembly, which we've been really fortunate to see great collaboration on between Canada in Ontario and the big automakers.

We see the clean energy piece where Canada is unbelievably blessed with hydro power, nuclear power and lots of renewables across the country that we can use here and export to the U.S.

Then I really think there are two more pieces to have critical North American energy independence when it comes to transportation. One of those is being able to build the charging stations that we need to turn that clean energy into charging the batteries, which is what we do.

The other one is the massive opportunity around batteries. Canada has so many of the minerals and metals that are needed not just for batteries, but I should say also for charging stations. We use aluminum in ours. That is a really great opportunity. In particular, it's an integrated opportunity, because I don't think it's going to be any one country. I keep coming back to the idea of an integrated North American market. We're going to have a lot of the pieces here in Canada. There are probably going to be some pieces in the United States, and our best bet, frankly, is to go it together and allow for that integrated continental trade.

**Mrs. Sherry Romanado:** Thank you so much.

I am a member of Parliament in Quebec. We were one of the provinces that really took advantage of these subsidies with respect to electric vehicles. The demand is incredibly high here in Quebec for those vehicles.

You talked about energy independence and you talked about North America. Scotty Greenwood was here and talked a little bit about, when we're talking recovery, a green recovery, we really need to look at it from a North American perspective or more of Canada-U.S. perspective rather than doing it alone. As you said, there are so many opportunities for collaboration in that regard, and I agree with you wholeheartedly.

As you know, in budget 2021, we committed to supporting the establishment and growth of a domestic electric vehicle battery supply chain through a \$5-billion investment in a net zero accelerator and the introduction of tax incentives and project scaling supports. How do you think these supports will help the electric vehicle sector?

• (1920)

**Mr. Travis Allan:** Those announcements will have a very important catalyzing role, I would say, in helping kick off a huge opportunity for Canada not just to be changing its own transportation system, but to be getting some of the jobs and building the IP and the expertise that is the real opportunity. I would say that is the crux of that. It's very exciting, as are prior announcements that the government has made and investments in charging and vehicle incentives for light, medium and heavy duty.

**The Chair:** You have 20 seconds, Ms. Romanado.

**Mrs. Sherry Romanado:** Ottawa and Quebec made a recent historical announcement with respect to electric vehicles, so we do support that.

Mr. Sobot, I don't want to forget you. I want to let you know—full disclosure—my brother worked at IPEX at one point.

Thank you very much for presenting tonight.

Thank you, Mr. Chair.

**The Chair:** Thank you, Ms. Romanado.

[*Translation*]

Mr. Savard-Tremblay, you have the floor for two and a half minutes.

**Mr. Simon-Pierre Savard-Tremblay:** Thank you.

I'll turn to Mr. Allan from AddÉnergie Technologies Inc.

I want to know whether you can confirm a figure that I saw.

Did your company send 2,000 electric charging stations to the United States?

[*English*]

**Mr. Travis Allan:** I'm sorry, I want to make sure I answer the right question.

Are you asking how many stations are in the Biden plan?

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay:** How many stations has your company delivered to the United States?

[*English*]

**Mr. Travis Allan:** That's understood. Thank you.

That's a great question. I think we're still in the hundreds right now. We have stations all over the city of Los Angeles, which were a modification of the ones we designed for the city of Montreal, and LA especially asked if we could convert them for their street posts.

We will also be deploying hundreds of stations in New York City in partnership with Con Ed as well as many stations in the Midwest, so we anticipate big growth in the future.

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay:** The Biden administration has announced that 645,000 vehicles will be converted. In your opinion, would this be a good business opportunity?

Does the Buy American Act ruin our chances of success?

[*English*]

**Mr. Travis Allan:** That is exactly our concern. The number of stations the government has announced, in their intention to build by 2030, is 500,000 stations. The economic value of that is approximately \$15 billion. Just to put it in perspective for a company like ours, that is literally the greatest opportunity in the history of North America for our industry. That's what's at stake here in getting this right. That's why we're so hopeful that a solution can be found on buy America.

[*Translation*]

**The Chair:** Thank you, Mr. Savard-Tremblay.

[*English*]

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

**Mr. Richard Cannings:** Thank you.

Mr. Allan, Ms. Romanado was complaining that everybody was taking her questions, and then she took mine. I was going to ask you basically the same question.

First of all, it's been very exciting here in British Columbia to see the rollout of charging stations. Some of that is due to the federal supports, but I see your charging stations popping up around my riding with great regularity. I appreciate that. Five years ago I couldn't possibly have imagined buying an electric car in my riding, because it's an 11-hour drive and there were hardly any charging stations. Now there's one in every little village. Thank you for being part of that.

I'd like to get back to the value chain and what Ms. Romanado was saying about making the EVs themselves and the batteries. I have a graphite mine in my riding. We heard at the natural resources committee that China controls much of the whole battery system. They don't have the minerals, but they buy the minerals and create batteries. They control everything in the middle.

I'm wondering what you see as the danger in terms of even your end of the business and having a North American value chain that we have to create to get China out of the equation.

• (1925)

**Mr. Travis Allan:** The biggest risk that we see is inaction. That's number one. The biggest problem was allowing other countries and continents to move faster than Canada and the United States, because at a certain point you get a technological lead and a production-scaling lead that is just unbeatable.

We're very fortunate to see that the Government of Canada, British Columbia, Quebec, California and now, luckily, the U.S. federal government have started to realize that in order to have the industry, you have to get the deployments going. You have to make people feel comfortable in adopting EVs in a North American driving context. I think your example was perfect. If you don't see charging stations where you want to go, it's really tough to make the decision to adopt an EV.

I think urgent action is probably the biggest issue that we face.

**The Chair:** Thank you, Mr. Cannings.

I want to thank warmly all the witnesses for coming today and for contributing to the progress of this study. It was very informative.

Thank you very much. Have a great weekend.

We will suspend for a few moments to allow the next panel to onboard.

• (1925)

(Pause)

• (1930)

**The Chair:** Welcome back, everyone. We are resuming the meeting.

I would like now to welcome each of the witnesses to the committee.

From the Aluminium Association of Canada, we have Jean Simard, president and chief executive officer. From the Business Council of Canada, we have Trevor Kennedy, director, trade and international policy.

[Translation]

Mr. Simard, you have the floor for five minutes.

[English]

**Mr. Jean Simard (President and Chief Executive Officer, Aluminium Association of Canada):** Thank you, Mr. Chair.

I'd like to express our appreciation for this invitation to share our industry's perspective on the buy America program.

Critical materials, secure supply chains, strategic needs for continental defence, green recovery and transport electrification: Our metal, produced responsibly, with the lowest carbon footprint in the world, is at the forefront of solutions to the problems of today and tomorrow.

The U.S. market, to which nearly 80% of our aluminum is exported, is one of the major import markets in the world. Currently, smelters in the U.S. produce about one million tonnes annually, while the demand for primary metal is about 4.5 million tonnes annually. By 2030, that demand is expected to grow to about seven million tonnes annually, while forecasts for primary production stall at about a million tonnes. This will increase the U.S. supply gap and create more dependence on imports of primary metal. The 2.2 million tonnes that we ship each year will continue to find buyers, despite the buy America policy.

We believe, however, that responsibly produced low-carbon aluminum should be the preferred choice in a green recovery. Indeed, a green recovery of the economy following the pandemic must be done by using responsibly produced materials and solutions, with a low-carbon footprint as much as possible. Otherwise, we'll find ourselves exporting jobs in return for carbon imports.

For example, our competition in the U.S. market comes mainly from the Middle East, Russia and India. We believe that it's not in the interests of either the U.S. or Canada to anchor stimulus programs on supply chains from politically unstable regions of the world and with a carbon footprint disproportionately larger than ours. Canada's less than two tonnes of CO<sub>2</sub> per tonne of aluminum draws the line easily, compared to 7.5 in the Middle East and as much as 17 in China.

While the challenges of energy, environmental protection and the fight against climate change are at the heart of the American recovery plan, Canada must show the U.S. the contribution they can make as an allied country by supplying eco-responsible materials and solutions, while setting an example through its own procurement policies.

We must grow back the integrated North American economy together, through investing in technology and partnering in the adoption of new green technologies. The signal must come through government procurement. We must be consistent with our reduction targets and leverage the recovery efforts and public spending to redirect the economy in the right direction.

Beyond its traditional manufacturing base, the industry is poised to be an even more critical source of material for a range of future uses in a low-carbon world.

In transport, because aluminum is lightweight, strong and corrosion resistant, it's used in aircraft manufacturing. It allows planes to be more fuel efficient and to carry more weight safely. NASA's Orion spacecraft structures are made from an aluminum-lithium alloy, as will be Orion's next generation multi-purpose crew vehicles.

Electric-powered vehicles need to be lightweight. By 2030, combustion cars are expected to be no more than 5% of the new vehicle market. Already today, aluminum in vehicles has reduced the carbon footprint by 20%.

In renewables, the metal is a key material in a wide range of renewable energy systems, all the way from solar thermal collectors and power plants to wind turbines and photovoltaic systems.

The U.S. and Canada, amongst other governments, are working independently and together to ensure access to a reliable future supply of critical materials. This is a direct response to China's increasingly dominant state-funded presence in supply chains for critical minerals that are key to strategic industries such as defence, aerospace and communications.

Again, aluminum is one such material. Further, the processing of bauxite into the aluminum required for aluminum production generates residual minerals, including magnesium and silicon dioxide, as well as titanium oxide and gallium nitride. Both are on the list of critical minerals as established by the U.S. and Canada.

While we fully recognize the importance of economic recovery plans here and in the U.S., that opportunity is at risk from less sustainable sources of supply driven by very high levels of state support, particularly in China. The consequences of not addressing international market distortion should be clear.

● (1935)

Subsidized aluminum from high CO<sub>2</sub>-emitting production systems will increasingly spill over into national and international markets, replacing well-paid jobs in often rural areas with higher CO<sub>2</sub> emissions abroad, eroding robust industrial ecosystems and driving out sustainable domestic capacity and resilient supply chains in the U.S. and Canada.

In closing, Mr. Chair, I would like to remind you that the real issue we all share is that of Chinese domination and its effect on our markets. This hyper-subsidized production, as demonstrated by the OECD, is crushing our markets and decimating large industrial sectors such as aluminum, magnesium, semi-conductors and many others.

We do have an enabling framework, CUSMA, and a context that should rally us to North American recovery. With companies and

well-paid middle-class workers whose footprint extends on both sides of our borders all facing the same unfair competition—China—now more than ever allied countries with integrated economies, such as Canada and the U.S., must work together to rebuild their economies with resilient, competitive and sustainable continental strategic supply chains.

Thank you.

**The Chair:** Thank you, Mr. Simard.

We'll now go to Mr. Kennedy for five minutes, please.

**Mr. Trevor Kennedy (Director, Trade and International Policy, Business Council of Canada):** Mr. Chair and committee members, thank you for the invitation to take part in your meeting on buy American and the economic relationship between Canada and the United States.

The Business Council of Canada is composed of 150 chief executives and entrepreneurs of Canada's leading enterprises. Our member companies directly and indirectly support more than six million jobs across the country and hundreds of thousands of small businesses. Representing different industries and regions, these men and women are united in their commitment to improve the quality of life for all Canadians.

We know that Canada is a trading nation. Our prosperity and living standards rely upon it. Sixty-five per cent of our GDP is tied directly to trade. The bulk of this trade is with the United States. As of 2020 it accounted for 73% of Canada's merchandise exports and 53% of our services exports. Two million Canadian jobs are related to exports with the United States.

This relationship is mutually beneficial. Nearly nine million jobs in the United States depend on cross-border trade and investment with Canada, and we're the largest or among the largest export partners for most states.

Given the importance of this relationship for our shared prosperity, during CUSMA negotiations the business community on both sides of the border advocated for a "do no harm" approach and for modernizing certain elements of the 25-year-old NAFTA, the basis for most of our bilateral trade.

The council and many of our American counterparts were pleased with the new agreement, both in its substance and because it was able to bring a wider range of stakeholders on board. The level of bipartisan and key stakeholder support for this agreement in the U.S. right now is remarkable, especially given the current political circumstances south of the border.

While CUSMA's government procurement chapter does not apply to Canada-U.S. trade, the overarching goal of the agreement was to enhance North American competitiveness in manufacturing, among other areas, while supporting well-paying jobs. We believe the direction taken on buy American by the new administration, which happens to broadly support CUSMA and its objectives, undermines the success of this critical agreement.

Bilateral challenges related to buy American are certainly not new. However, the timing and approach of the latest proposed actions in the executive order and in the American jobs plan go against the spirit of CUSMA as well as many of the shared objectives for bilateral co-operation, including that in the road map for a renewed U.S.-Canada partnership and priorities outlined in the U.S.-Canada high-level ministerial dialogue on climate ambition.

It's critical that Canada secure an exemption or a clear carve-out. Tighter application of buy American rules and restrictions related to the American jobs plan will not only harm Canadian but also American workers.

CUSMA created a strong, resilient and competitive regional supply chain. Proposed changes could harm trade and investment in Canada and fragment American supply chains at a time when we need to work together to address economic resiliency and environmental challenges. Canada faced a formidable challenge at the outset of CUSMA negotiations, but with a proactive and coordinated team Canada approach that involved the business community and labour, among others, we were able to overcome and emerge with an outcome that benefited people on both sides of the border.

If we're to be successful this time around, we need to take a similar approach and to do so with urgency. This effort should be directed at the White House, Congress and state and municipal officials. Most importantly, it should be in alignment with U.S. stakeholders in business and labour.

Canada should not challenge buy American as a concept. We'll lose that argument. Rather, we need to make the case that working with Canada, given the unique integrated nature of our economies, is key to achieving the procurement policies goal of ensuring strong and resilient supply chains as well as well-paying jobs. The Business Council of Canada and its members stand ready to support a team Canada approach.

I thank you for this opportunity and look forward to answering your questions.

- (1940)

**The Chair:** Thank you, Mr. Kennedy.

We will go directly to questions.

For the first round, we have Ms. Alleslev for six minutes please.

**Ms. Leona Alleslev (Aurora—Oak Ridges—Richmond Hill, CPC):** Thank you, Mr. Chair.

Thank you very much to both the witnesses for their very important and enlightening testimony.

I would like to start with Mr. Simard.

During COVID, we have certainly seen that there's a predisposition to self-sufficiency and the need for a domestic capability during times of challenge. You, Mr. Simard, have effectively outlined why aluminum is critical and perhaps why the United States recently put national security tariffs on aluminum. I'm wondering if you could give us some insight into the impact of those national security tariffs on the aluminum industry.

**Mr. Jean Simard:** Thank you for this question.

First of all, I must say that due to all the efforts undertaken by the Government of Canada and Ms. Freeland when she was responsible for the file, those tariffs are now off for Canada. We are in a tariff-free situation. Basically, the impact of tariffs was mostly on the U.S. side.

It's the law of unintended consequences, but economic history has shown that most of the time the impact of tariffs are on the imposing party. In this case, that meant the U.S. was the most expensive place in the world to buy aluminum.

**Ms. Leona Alleslev:** My research, though, shows that a significant number of manufacturing jobs in the aluminum industry were actually created in the United States as a result of those national security tariffs. I wonder if that was not a precursor in many ways to showing where the Americans were wanting to go on this. While you say there is that gap—between one million, I think you said, and possibly the growth to seven million requirement for it domestically—they're looking to put some of that capability back in the U.S.

Would you have a feel for how much of Canada's domestic aluminum requirements are met by Canadian manufacturers?

**Mr. Jean Simard:** It's a complex question—although it doesn't sound like it—because it's a complex market. We're primary producers. We produce aluminum from alumina through the electrolytic process. Aluminum is then reprocessed and ends up in cars, planes and consumer goods. As a country, on a yearly basis, Canada probably consumes about 700,000 tonnes of metal. It doesn't mean that metal is produced in Canada. It's primary metal that is consumed in Canada in terms of reprocessing through the value chain.

**Ms. Leona Alleslev:** Would we have the potential to be self-sufficient in aluminum if we required it?

**Mr. Jean Simard:** We're not a market. We're too small. It's all a matter of critical mass. That's why we're producing primary metal that we're shipping to where the market is, where it's reprocessed. The jobs created in the United States are created in the downstream part of the value chain, not as much in the upstream where we are.

• (1945)

**Ms. Leona Alleslev:** In this committee, and obviously in this study, we're not talking about buy America writ large. We're talking about federal infrastructure projects for the most part. You listed a bunch of other things, like aerospace and all those critical things, but those won't necessarily be affected.

Do you have a feel for what percentage of the 2.2 million tonnes that we export goes to those federal infrastructure projects? In other words, what is really at risk in terms of that 2.2 million tonnes, if we're not successful in achieving an exemption?

**Mr. Jean Simard:** As mentioned at the beginning, because of the demand in the U.S. market and the incapacity structurally for the U.S. to respond to its own domestic demand, the 2.2 million tonnes will still go to the U.S. The problem is downstream. It's Canadian companies using Canadian metal that are pushing the metal to the U.S. to contribute to infrastructure projects or federally sponsored undertakings. That's where the hit will be, more so than upstream.

The metal will always find its way to the U.S. The problem is the small mom-and-pop shops that make parts and components used in tramway projects or city transit systems that are federally sponsored. That's where—

**Ms. Leona Alleslev:** If we're not successful—

**The Chair:** Ms. Alleslev, make it a quick question in 25 seconds, please.

**Ms. Leona Alleslev:** Thanks.

If we're not successful, what is the impact and what's the plan B?

**Mr. Jean Simard:** Again, I think success is more important for downstream players than for primary producers. Our metal will still go to the market because the market requires it.

**The Chair:** Thank you, Ms. Alleslev.

We'll now go to Madam Bendayan for six minutes, please.

**Ms. Rachel Bendayan (Outremont, Lib.):** Thank you very much, Mr. Chair, and thank you to our witnesses as well.

I want to begin by clarifying a comment made earlier. I too watched President Biden's address, as did many in our government. I believe that last night in addressing Congress, President Biden was referring to "buy American" not "buy America", and specifically to his concern about one-off exemptions being given in a discretionary manner for certain contracts, which is not the topic of our study today. All members know this, and I'm sure our witnesses know this as well. We are looking at buy America and potential measures that may be imposed with respect to that. It's an important distinction.

[Translation]

I want to start by speaking to Mr. Simard as a Quebecker who is proud of the aluminum industry. It's certainly a source of pride for us all.

According to my information, Quebec produces about three million tonnes of aluminum each year. This amounts to about 60% of the entire North American production capacity. We often hear that Quebec's aluminum is the greenest in the world, and you have touched on this as well.

Have you ever spoken with your American counterparts about this issue to help them understand the environmental value of our aluminum?

**Mr. Jean Simard:** Thank you for the question.

First, I want to correct the figures. Canada produces 3.2 million tonnes of metal and Quebec produces about 2.8 million tonnes. About 90% of Canadian production is in Quebec. Year in and year out, we probably export around 80% to 90% of all Canadian production to the American market. I just said that to put things into perspective.

As an industry representative, I'm in contact with my American counterparts on a weekly basis. The American Aluminum Association represents American industrial interests. I'm pleased to confirm that the industry has been in perfect agreement for the past three, four or five years on trade issues. On both sides of the border, we readily acknowledge that we're part of an integrated continental chain and that we need the work done in both countries.

Before it serves its final purpose, the metal must cross the border between seven and 11 times. Before the metal manufactured and cast in Saguenay reaches its destination in a Ford 150, it can cross the border multiple times. This explains the complexity of our value chain and the importance of protecting its integrity. In our case, the Buy America measures, and not the Buy American Act, aren't likely to affect the transit of primary metal to the United States. As I said at the start, the Americans' need for aluminum imports is enormous.

Instead, the Buy America measures will affect products made from the metal, which could be used, for example, to manufacture AddEnergie's charging stations. These stations are made from aluminum. How will this all come together in the final product? That remains to be seen.

• (1950)

**Ms. Rachel Bendayan:** Thank you.

In response to an earlier question, you referred to our government's success in getting the aluminum tariffs removed. We did that as a team, as a country, together with our industry.



In your opinion, based on this success, would it be a good idea to join forces with representatives from all levels of government as well as our private sector partners to approach the United States as a team?

**Mr. Jean Simard:** Based on the past success of the CUSMA negotiations and the removal of tariffs, Canada's political and industrial involvement at various levels and in different jurisdictions on an ongoing basis certainly contributed to this outcome.

In the United States, power is both highly concentrated and very spread out. Influence is exercised at various levels and in different jurisdictions. The Canadian recipe under the Trudeau government has been to increase the number of discussions through various ministers, parliamentarians, senators, and so on. These relationships have made it possible to develop and keep up with issues while trying to mitigate differences. I think that this is the key to success. I strongly encourage you to keep this recipe because it has proven successful.

[English]

**The Chair:** Thank you, Ms. Bendayan.

We will now go to Mr. Savard-Tremblay.

[Translation]

Mr. Savard-Tremblay, you have the floor for the next six minutes.

**Mr. Simon-Pierre Savard-Tremblay:** Thank you, Mr. Chair.

I want to acknowledge the witnesses.

As a member of Parliament from Quebec and the Bloc Québécois, which, as you know, focused heavily on the aluminum issue last year as part of the trade discussions leading up to CUSMA, I would have liked to ask you, Mr. Simard, how you wanted to get the United States to recognize green aluminum. However, you have already answered that question to some extent.

You clearly described the complexity of the value chain and the fact that the market is highly integrated, even multidimensional. Last year, the Bloc Québécois proposed a rules of origin formula that you and the Aluminium Association of Canada welcomed. Given the Buy America measures at the American border, is there a risk of dumping? Green aluminum is being compared to an infinitely more polluting aluminum that comes from China and passes through Mexico. Is this matter specifically addressed through the American recognition of green aluminum?

● (1955)

**Mr. Jean Simard:** This question has several components.

Countries are required to implement monitoring systems under the free trade agreement. Canada was the first country to do so. In March, the Americans implemented their own monitoring system for aluminum imports. Mexico is lagging behind, for a variety of reasons.

Canada and the United States must now team up to pressure Mexico to close this door, which could lead to fraudulent imports. In terms of the American administration recognizing the low carbon footprint of our metal, this will take some time and effort.

At this time, international financial markets are increasingly taking into account the carbon footprint of aluminum when calculating the cost of funding projects. If you're planning to buy or export low-carbon aluminum, or you want to expand your production capacity, your funding costs may be lower in the international markets. The carbon footprint is now part of the risk factors analyzed.

That said, when it comes to government procurement, we can't as a country force the United States to consider this concept if we fail to lead by example. We need the Canadian and provincial governments to look at the carbon footprint of the products in their procurement systems and then tell their partners to do the same. This is fundamental. Until we use our procurement rules to buy innovative low-carbon products and solutions, it's very difficult to lecture others.

**Mr. Simon-Pierre Savard-Tremblay:** To achieve success in our trade relationship with the United States, which is under review today, we need to lead by example. This would require an in-depth reform of our own internal policies.

**Mr. Jean Simard:** Yes. It must be done gradually. It can't be done overnight, but it can be done. It has been done in other parts of the world.

**Mr. Simon-Pierre Savard-Tremblay:** Thank you.

You also welcomed what we could tentatively call the agreement between the United States and Canada to "green" government activities. We undoubtedly thought that the fairly green nature of our aluminum would give us better access.

Would it be simpler if the criteria were stronger and more binding? Would this provide more opportunities for our aluminum, which is the most carbon neutral in the world, than for our potential competitors?

**Mr. Jean Simard:** Constraints are market devices that often have more detrimental effects than anything else. We saw this in the case of tariffs. When we use constraint mechanisms in markets that require a great deal of fluidity, everyone ends up paying the price. I can't say that I support this.

**Mr. Simon-Pierre Savard-Tremblay:** However, it could be argued that environmental commitments without sufficient constraints are likely to turn into wishful thinking.

Don't get me wrong. I'm not saying that this is the case with the agreement between the United States and Canada. However, it seems that a minimum amount of constraint is needed to ensure that green technology is truly supported.

● (2000)

**Mr. Jean Simard:** Green technology is really—

**Mr. Simon-Pierre Savard-Tremblay:** I'm also talking about energy, of course.

**Mr. Jean Simard:** Why, at this time, is the ELYSIS technology about to be used in Canada and particularly in Quebec? Several factors come into play. The carbon market is taking shape and the price of carbon is increasing as time goes on. It's becoming necessary to use a disruptive technology. Governments must provide funding to the private sector to help it develop and implement this disruptive technology.

This means that, when large industrial sectors reach this limit, the private sector can't muster the required financial resources. Moreover, governments want to reduce carbon emissions. It's in their interest to help rather than hinder the development of these solutions.

**The Chair:** Thank you, Mr. Savard-Tremblay.

[English]

Mr. Cannings, you have six minutes, please.

**Mr. Richard Cannings:** Thank you.

I'm going to turn to Mr. Kennedy, first.

You counselled us, I think, to not go after the buy America plan head-on, but when dealing with the United States, to talk about the integrated nature of our trade and how closely tied all those supply chains and value chains are.

Again, I'm from British Columbia and one of the big issues here is that softwood lumber disagreement. Here we have a situation where the United States clearly needs our lumber, but we have a very vocal and very powerful set of businesses in the United States producing lumber that seem to have had the ear of every government in the United States over the past 30 years.

Why, then, hasn't this argument worked with them? Here we have a case where we're paying illegal tariffs and lumber prices are going through the roof because demand is so high. Why hasn't that argument worked, and how can we perhaps reshape it when we're talking about buy America or a new softwood lumber agreement?

**Mr. Trevor Kennedy:** That's a very good question. It's in some ways similar to this problem. This is a long-term issue we've had with the United States, both in softwood lumber and on procurement policy. We have a fundamental disagreement.

I wouldn't try to represent the industry's view on what the preferred path forward is, but the more recent signals we're seeing from the U.S. is an interest in a new agreement between Canada and the U.S. I'm not sure how serious that is, but at least there have been comments from the new USTR in that space and to the extent that that would be helpful.

It has been a challenge, though. We always struggle to raise our issues. At the American level we're dealing with local constituencies and business groups. This came up in the steel and aluminum case with section 232 tariffs, where there were specific businesses that had a key interest. They were able to drive federal policy in a way that worked against, I would argue, American national interests.

We're seeing a very similar pattern with softwood lumber now. We know very clearly the National Association of Home Builders in the United States has been very vocal. I don't want to misquote

the numbers, but adding \$20,000 to \$30,000 on top of a house at a time when housing prices are so high is absurd.

I'm hopeful we can reach a conclusion. That does seem to be one area where the administration has at least signalled an openness to dealing with Canada. Hopefully we can make progress.

**Mr. Richard Cannings:** Thank you.

I'm going to turn now to Monsieur Simard.

It's a similar question in that in the previous round of witnesses we talked to Mr. Allan from AddÉnergie in Quebec about charging stations. We talked a bit about that value chain, the supply chain of the critical minerals and metals we need to electrify the energy systems in North America.

I'm wondering how much you would put on a strategy to create a North American critical metal and mineral supply chain so that we could make every component for batteries, electric motors and all those things.

He was using aluminum in his charging stations, for instance. Is that a strategy we could use to go to the United States and say that we have to take those value chains away from China—they dominate them now—and use our aluminum, copper, cobalt, lithium and graphite in a North American sense and really create a market within the continent? That would help both countries in this transition to a cleaner future.

● (2005)

**Mr. Jean Simard:** I think it's a great idea.

I believe there's a joint agreement between the U.S. and Canada on critical materials that was announced. We share most of the same minerals or materials on both the European and the U.S. list. Canada's list of 32 or 33 critical minerals is quite the same. We have trade agreements with the U.S. and Europe. It's like a magic thread to grow our way out of China in a very strategic part of our economies for the future.

We can work with the U.S., and we've shown it in the past with part of the U.S. military and technology industrial base. We have 50 years of history working together in highly strategic undertakings with research and development related to the aerospace program. I see no reason we wouldn't be able to do something very constructive and something that would bring us back together, looking at the needs of our joint economy for the future.

**The Chair:** Thank you, Mr. Cannings.

Looking at the time, members, it looks like we will have to stop at the first round because today we have scheduled some committee business, as you know.

On behalf of the committee, Mr. Simard and Mr. Kennedy, we want to thank you very warmly for coming here and illuminating us on the issues that are important to your industries and to the Business Council.

Have a great weekend.

Members, you can now go onto the other link.

Thank you.

*[Proceedings continue in camera]*

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