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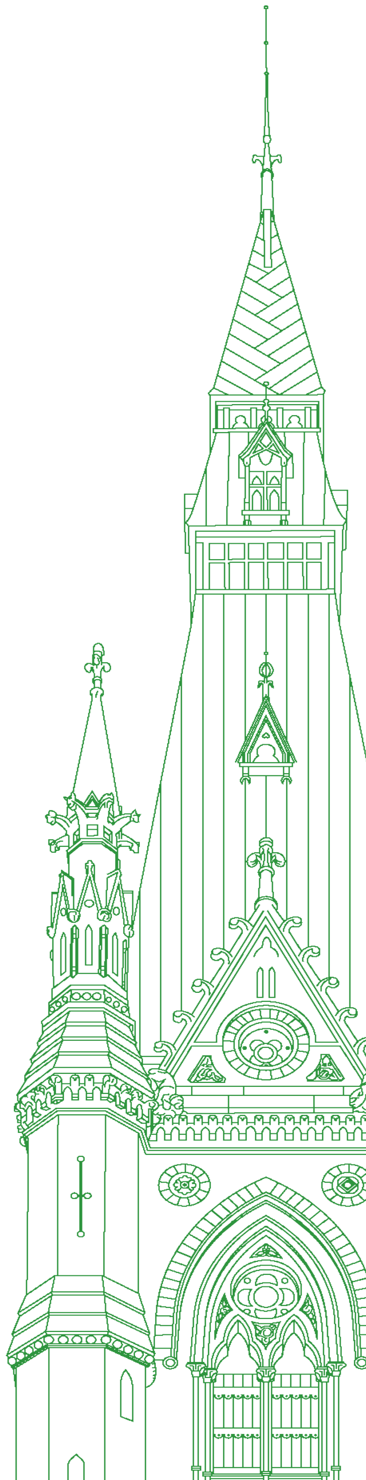

Chair: The Honourable Judy A. Sgro

Standing Committee on International Trade

Friday, November 18, 2022

• (1300)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call to order meeting number 37 of the Standing Committee on International Trade.

Today's meeting is taking place in a hybrid format pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

I would like to make few comments for the benefit of the witnesses and members.

Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you are not speaking.

With regard to interpretation, for those on Zoom, you have the choice at the bottom of your screens of floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

As a reminder, all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can. We appreciate your patience and understanding in this regard. Please also know that during the meeting, you're not permitted to take pictures in the room or screenshots on Zoom.

In accordance with the committee's routine motion concerning connection tests for witnesses appearing by video conference, I'm informing the committee that all witnesses have completed the required connection test in advance of the meeting.

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

Is everything good with our interpreters, Madam Clerk? It looks like everything is functioning properly.

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

We have with us today, from the Business Council of Canada, Trevor Kennedy, vice-president of trade and international policy, by video conference. We have, from the Carbon Infrastructure Partners Corporation, Craig Golinowski, president and managing partner, by video conference. From the Explorers and Producers Association of Canada, we have Chris Montgomery, vice-president of policy. We have the Parkland Corporation, represented by Ryan Krogmeier, senior vice-president of supply, trading and refining. Finally, from the United Steelworkers union, we have Meg Gingrich, assistant to the national director, by video conference.

Welcome to all of you.

Can everyone who is participating by video conference please turn on your camera?

Mr. Colin Carrie (Oshawa, CPC): Excuse me, Madam Chair, but I have a hard time hearing you. I can see you talking, but for some reason I can't hear you. Could we run another quick check?

The Chair: Yes.

Go ahead, Madam Clerk.

The Clerk of the Committee (Ms. Dancella Boyi): Mr. Carrie, can you hear me speaking?

Mr. Colin Carrie: I can hear you now. Thanks.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): I'm also being told that no one can hear the sound through the Zoom application. It has nothing to do with Mr. Carrie.

• (1305)

[*English*]

The Chair: Do you want me to try reading out—

Mr. Craig Golinowski (President and Managing Partner, Carbon Infrastructure Partners Corporation): I'm still unable to hear the chair speaking.

Mr. Trevor Kennedy (Vice-President, Trade and International Policy, Business Council of Canada): I can't hear anything either.

Ms. Meg Gingrich (Assistant to the National Director, United Steelworkers): Neither can I.

Mr. Trevor Kennedy: I'm glad it wasn't just me.

The Chair: No, it wasn't.

We'll have to suspend for a few minutes.

● (1305)

_____________________(Pause)_____________________

● (1305)

The Chair: I'm calling the meeting back to order.

Please raise your hand or shout if you cannot hear.

Everybody is good. Nobody is raising their hand and nobody is hollering.

Welcome to all of you.

Go ahead, Mr. Virani.

Mr. Arif Virani (Parkdale—High Park, Lib.): Could I raise an administrative matter for 30 seconds?

The Chair: Yes, if it's 30 seconds.

Mr. Arif Virani: It will be 30 seconds.

Madam Chair, I've had discussions with representatives of all of the parties, and I'm wondering if, with consensus, the committee could direct the clerk to inquire as to whether our Friday meetings might be able to commence at 12:30 instead of 1:00, which would facilitate many of us getting back to our ridings earlier on Friday afternoon.

Thank you.

The Chair: We'll do that inquiry. Is everyone clear on that? Whether we can do it or not will depend on discussions with the interpreters, the departments and the rest of it, but it is a point well raised. We will report back at our next meeting if we can or as soon as possible.

Mr. Kennedy, you have up to five minutes.

Go ahead, please.

Mr. Trevor Kennedy: Thank you, Madam Chair and committee members, for inviting me to comment on the trade impacts of the Inflation Reduction Act. I'm going to refer to it as the IRA today.

Canada's prosperity and living standards depend on trade, the bulk of which is with the United States. A previous version of the IRA, the Build Back Better Act, would have discriminated against Canadian-assembled automobiles and severely undermined the integrity of our integrated auto sector.

We therefore were pleased to see that the IRA created a clear carve-in for North American goods and content in the battery electric vehicle supply chain. Unfortunately, in a number of other areas, the IRA poses a clear challenge to Canadian competitiveness and, by extension, Canada's ability to attract and retain investment. Our economy is going through a once-in-a-century energy transition. If Canada does not take action soon to respond to the IRA's generous support incentives for the clean economy, we could see a significant shift in long-term trade flows across North America, combined with a loss of well-paid jobs.

In the fall economic statement, the Deputy Prime Minister announced new investment tax credits for clean technology and clean hydrogen. She said the government is committed to making it more attractive for businesses to invest in Canada to produce the energy that will power the net-zero global economy.

Unfortunately, there's a significant lack of detail about those tax credits. For example, imagine you're an investor looking to build a major wind-to-hydrogen project of the sort that the Prime Minister and the German Chancellor discussed this summer. For a project like that, you need wind turbines. The fall economic statement said there will be a 30% tax credit for the purchase of those turbines. That's a start, but investors will want to know whether the tax credit will apply to the cost of the foundation on which the turbines sit. Does it apply to the labour that will be required to build the turbine, and what about the road that must be built to the site of the turbine and so on? Until those details are available, a project of this sort is unlikely to go ahead.

I should point out that investment decisions are being made not just in the energy sector. Across our economy in sectors as diverse as agri-food, manufacturing and retail, Canadian companies have made ambitious commitments to achieve net zero. If you're a company with operations in Canada and the U.S. and you're looking to invest to reduce your carbon footprint, the incentives are better and the rules are clearer in the United States.

In the fall economic statement, the government listed a number of areas in which it plans to bring forward significant measures or additional actions to level the playing field between the U.S. and Canada. This includes the launch of the Canada growth fund, specific labour conditions that will apply to companies receiving the 30% clean technology investment tax credit, any additional technologies that will be eligible for the tax credit and further measures to incentivize clean-tech manufacturing.

To repeat what I said earlier, the details surrounding these measures need to be defined as soon as possible, and we can't afford to delay. That's why the Business Council of Canada has called on the government to bring forward its next budget in the first quarter of 2023, and ideally before the end of February, consistent with the traditional budget cycle.

Also, in budget 2023, the government must follow through on recent commitments to improve regulatory certainty and expedite approvals for natural resource projects such as LNG, critical minerals and clean electricity. The Deputy Prime Minister has spoken about the need to make progress in those areas so that Canada can help our international partners improve their economic security and achieve their climate change goals.

In closing, let me repeat that in the face of the IRA and a rapidly changing global environment, Canada must act with urgency to secure its fair share of investment and economic activity. Failure to do so will have a significant impact on future North American trade flows for the years ahead.

Thank you.

• (1310)

The Chair: Thank you very much.

Mr. Golinowski, you have five minutes.

Go ahead, please.

Mr. Craig Golinowski: Thank you, Chair. It is an honour to be invited to present on these critically important issues.

We're hear to discuss the Inflation Reduction Act generally, and I will speak more specifically to the deployment of carbon capture and storage and how that relates to the United States and Canada.

First, in the recently passed Inflation Reduction Act, the United States significantly upgraded the 45Q tax credit for CCS in both value and ease of use, particularly by introducing the direct pay mechanism. The value for carbon capture was increased so that geologic storage is eligible for $85 U.S. per tonne, and enhanced oil recovery is eligible for $60 U.S. a tonne. In effect, the United States will now become the largest buyer of carbon in the world. That's unique and notable in that the United States sees that its role is to buy carbon at scale.

Second, the United States understands that to attract capital markets to carbon capture and carbon management generally, the economic signal needs to be strong and clear. If the government overpays for carbon in the near future, industry will create scale and, through economies of scale, reduce costs. Therefore, over the medium term, the government will end up getting more tonnes of CO2 per dollar committed, so policy certainty and ease of converting carbon credits into cash are two critical features of the Inflation Reduction Act.

Third, if Canada continues not to be competitive on CCS and carbon management, investment capital from Canada in our pension sector and the banks will in fact be deployed into the United States, creating industrial jobs there and helping the United States achieve their 2050 goals.

Fourth, Canada must increase policy certainty of carbon pricing through perhaps a contract for differences or a production tax credit, and increase the ease of converting carbon credits into money through either a contract for differences mechanism or a direct pay mechanism.

These themes of increasing certainty, increasing value and increasing the ease of turning carbon credits into cash are what Canada must be moving towards.

I want to conclude by saying that support for carbon capture is not a subsidy to oil and gas. It's a critical investment in reaching net zero. It's essential for the cement industry, the steel industry, the power industry and the ammonia fertilizer industry.

The Chair: Thank you very much.

Mr. Montgomery, you are next, for five minutes please.

Mr. Chris Montgomery (Vice-President, Policy, Explorers and Producers Association of Canada): Thank you, Chair.

It is a pleasure to be here today on the unceded traditional territory of the Algonquin people to discuss two different approaches to climate policy by Canada and the United States.

I'm here representing the Explorers and Producers Association of Canada. EPAC represents over 80 Canadian upstream oil and natural gas producers that produce more than 60% of Canada's natural gas and more than 30% of the country's oil, primarily from conventional resources.

EPAC members are reducing their GHG emissions, as evidenced by the national inventory report. Specific efforts include significant reductions in methane emissions, the operation of existing and advancement of future CCUS projects, and diversification into hydrogen and renewable resources.

Canada has taken a compulsory policy approach to climate ambition that includes a price on carbon, prescriptive regulations for methane, the clean fuels regulation and a proposed emissions cap on the sector. On the other hand, the United States Congress has failed to pass meaningful climate policy and is instead providing billions of dollars in cash and tax incentives through the Inflation Reduction Act, or IRA, to achieve reductions. The Supreme Court of the United States has also consistently undercut the ability of the President to regulate the oil and natural gas sector through executive order. The contrast in approaches has made it more challenging to attract investment into Canada for the deployment of emissions reductions technology, and it undercuts the clean-tech ecosystem that traditional industries have spurred here in Canada.

As the Deputy Prime Minister has acknowledged, Canada must correct this cross-border disadvantage by shifting its focus from a pure sticks approach to one that includes more carrots in order to maintain the country's climate leadership. EPAC has proposals to address two specific gaps created by the IRA in CCUS and methane mitigation.

First, regarding CCUS, members should know that EPAC represents the operators of three of the four largest operating CCUS facilities in the country and has other members that are actively investing in new CCUS projects and technologies. The government should be congratulated for its CCUS investment tax credit, or ITC, which helps make these projects more economical. However, with the IRA including a guaranteed tax credit of $85 per tonne of carbon sequestered, capital for CCUS projects has shifted from Canada to the United States. As publicly stated by Entropy, a subsidiary of EPAC member Advantage Energy, this is because enhancements through the IRA have created a stronger CCUS incentive market in the United States with significantly more carbon pricing certainty.

The government can close the gap created by the IRA in three ways: by introducing a production tax credit in line with the IRA, which would be EPAC's preferred approach; increasing the inclusion rate of the current ITC; and guaranteeing a floor price on carbon through a version of carbon contracts for difference.

Second, Canada is a world leader in methane emissions reductions and is set to lower these emissions from oil and gas by 40% by 2025. Canada risks losing its leadership position because of the $850 million the IRA provides to the U.S. oil and gas industry for methane monitoring and mitigation. However, Canada can maintain its leadership position and further reduce emissions provided government maintains a reasonable regulatory approach and provides targeted supports to reach the most difficult emissions. To this end, EPAC recommends that government repurpose unallocated money from the emissions reduction fund, which is money already committed to industry to help monitor emissions, advance needed technological development and further gas conservation efforts.

Thank you to members for the time.

● (1315)

The Chair: Thank you very much.

We have Mr. Krogmeier, please, for up to five minutes.

Mr. Ryan Krogmeier (Senior Vice-President, Supply, Trading and Refining, Parkland Corporation): Madam Chair and honourable members, thank you for the opportunity to attend today's meeting.

My name is Ryan Krogmeier. I am the senior vice-president of supply, trading and refining at Parkland Corporation. We are a Calgary-headquartered Canadian multinational company with a presence in 25 countries, including Canada and the United States, and those in the Carribean and Central and South America. Every day we serve over one million customers through our consumer brands, which include Chevron, M&M Food Market, Ultramar, Pioneer and many others.

We also own and operate a refinery in Burnaby, British Columbia, that currently supplies about 25% of B.C.'s transportation fuel and 30% of Vancouver International Airport's jet fuel. We were the first in North America to use our existing refinery infrastructure to coprocess such renewable feedstocks as Canadian canola and tallow alongside conventional crude oil to produce fuels that have less than one-eighth of the carbon intensity of conventional fuels.

Earlier this year, we announced plans to increase our low-carbon leadership by building a stand-alone renewable diesel complex within the Burnaby refinery and exploring the possibility of producing sustainable aviation fuel. Once completed, these projects will help reduce related greenhouse gases by approximately two megatonnes per year. This is the equivalent of taking more than 700,000 cars off the road, or approximately 25% of B.C.'s passenger vehicles.

The North American fuel market is very integrated, meaning that Canada competes with the United States for investment and supply of biofuels and low-carbon fuels. Today, Canadian producers stand to be at a competitive disadvantage with our counterparts in the U.S. due to governmental incentive imbalances between the two jurisdictions.

The Inflation Reduction Act's passage expands several provisions that incentivize the production of biofuels, such as the blender's tax credit and a producer tax credit. Furthermore, the IRA creates a new credit for the use of sustainable aviation fuel. Given that no comparable incentives exist in Canada at present, the impact of these tax credits in the United States places Canadian producers of low-carbon fuels at a competitive disadvantage. They allow American producers to create low-carbon fuels at a lower net cost, possibly to export into the Canadian market and sell at a lower cost, and they consequentially discourage demand for domestically produced low-carbon fuels.

A supportive incentive environment is needed to ensure a level playing field for domestic low-carbon fuel production and to ensure that compliance with domestic regulations, such as the clean fuel regulations, is not done entirely via imports from other markets. Relying on importing low-carbon fuels would also hinder growth within several Canadian industries, including agriculture and forestry, whose feedstocks are used in the production of low-carbon fuels that contribute to our nation's emission reductions.

With these considerations in mind, I would like to table the following recommendation. The Government of Canada should rapidly pursue new support mechanisms for low-carbon fuel production domestically, including the introduction of equivalent low-carbon fuel producer tax credits in budget 2023. Tax credits should apply to all low-carbon fuels produced, blended or coprocessed in Canada for a period of at least 10 years, and should acknowledge the additional supports needed for Canada to produce sustainable aviation fuel. These tax credits or equivalent supports would not only encourage the development of low-carbon fuels in Canada, but also provide investment clarity and certainty for domestic producers and the associated supply chain.

In closing, we encourage the committee to carefully examine the economic implications of the Inflation Reduction Act for Canadian producers of low-carbon fuels. We were pleased to see in the government's fall economic statement the acknowledgement that these incentive imbalances between the two jurisdictions will pose a competitive challenge to Canadian companies and the recognition that additional measures will be needed in budget 2023 for biofuel producers. We look forward to further details on these measures.

Thank you again for your time. I welcome any questions you may have.

● (1320)

The Chair: Thank you very much, sir.

Ms. Gingrich, you have five minutes, please.

Ms. Meg Gingrich: Thanks for the invitation to speak today.

I'm here on behalf of the United Steelworkers. My name is Meg Gingrich. I'm the assistant to the Canadian national director of the United Steelworkers—that's currently Marty Warren—and I work out of our national office in Toronto.

Our union represents 250,000 members in Canada and 800,000 in North America. We're in every sector of the economy, and that includes 20,000 members in steel and aluminum and another 15,000 in mining. We're a proud international union, with members working in vehicle and clean energy supply chains—among many others—in both the United States and Canada.

Generally, we have a positive view of the Inflation Reduction Act, particularly the pro-union labour provisions and some of the buy clean components, which we believe will benefit the North American aluminum, steel, cement and mining sectors. The IRA included these elements in no small part as a result of the influence of the United Steelworkers and the rest of the U.S. labour movement.

However, we do have concerns about the potential impact on Canadian natural resource extraction and, to some extent, on manufacturing. To ensure that the U.S. doesn't gain too strong of a competitive advantage in clean energy and manufacturing, Canada must develop concurrent policies—for example, on buy clean—which we have started to see.

The United Steelworkers are pleased with the North American content requirements for electric auto and battery producers. We believe this will provide many Canadian firms, including those that employ our members, with some opportunity, and will help create and maintain jobs in Canada in the long term.

However, we do have some concerns that the IRA's incentives for firms to invest in clean technology, absent any carbon tax, provide a double advantage to U.S. steel producers, for example. Because the steel sector is an energy-intensive, trade-exposed sector, as an immediate response, we believe the carbon tax should not be increased at this time. We are also supportive of border carbon adjustments.

None of this eliminates the need to reduce the climate impact of heavy manufacturing. The United Steelworkers supports significant investment in clean steel and other manufacturing technologies and green steel procurement policies. While Canada has made some decent commitments and investments on this front, we must note that decarbonization efforts that have any workforce impacts should be done in consultation with unions. This has not always been the case.

Furthermore, with regard to green steel and trade, we support the U.S. approach linking climate and trade policy. We advocate in favour of taking a similar approach to the United States and the EU on the green steel and aluminum pact, which would have the effect of restricting carbon-intense steel and aluminum products from taking precedence over domestic production.

We also express some concern about the impact on critical mineral sectors in Canada. The IRA sets sight on access to critical minerals. The critical minerals provisions of the IRA could prove a boon to Canadian mining. However, the worry really lies in value-added manufacturing after the extractive and immediate processing stage.

Canada must not be relegated to being a site of resource extraction with minimal additional development of downstream manufacturing capabilities. On this front, Canada must work to create markets and supply chains and to incentivize domestic manufacturing. While Canada has taken some initiative on this—for example, the Stellantis battery plant, the Umicore cathode plant and the strategic green investments that we've seen at ArcelorMittal and Algoma Steel—we need to do more on this front and, again, in a way that includes workers.

The announcements in the fall economic statement by Minister Freeland are a good starting point as a response to the IRA. However, we need more comprehensive action. On this point, it may be worth looking at what a Canadian advanced manufacturing production credit might look like.

Canada and USW members in the mining sector are well placed to supply the critical minerals needed to take advantage of the IRA critical minerals provisions. The steel sector and manufacturing generally, however, face some challenges via the 100% U.S. iron and steel requirement for domestic energy projects and the sizable—at around 55% in 2024—domestic manufacturing components requirement. The U.S. has pegged its climate policy not only to its trade policy but really as the linchpin of its renewed industrial policy. It wants to ensure that its manufacturing and steel industries not only survive the green transition but thrive.

Canada needs to follow suit if we also want our manufacturing and steel industries to not only survive but thrive, with comprehensive policies and an industrial strategy that will work in the Canadian context, combat climate change and create jobs. With the current geopolitical realities, if Canada can't get this right now, then when will we?

Thank you very much.

● (1325)

The Chair: Thank you very much.

We'll go on to Mr. Carrie for six minutes, please.

Mr. Colin Carrie: Thank you, Madam Chair.

I want to thank the witnesses for being here for this extremely important meeting.

I will start with Mr. Kennedy.

Mr. Kennedy, on November 1, we had the Canadian Manufacturers and Exporters here, and there was a sense of urgency. As many of our witnesses have stated, Canada seems to be playing catch-up. This IRA—a renewed Build Back Better Act—was horrible. One witness, Flavio Volpe, from the parts sector, actually said the IRA is the correction to that, but we're still running catch-up.

The Canadian Manufacturers and Exporters said something that was extremely concerning to me, coming as I do from Oshawa, where manufacturing has a great history. They're concerned that because of the IRA, we're going to see a flight of capital investment out of Canada into the United States, which could reduce the number of manufacturing jobs in Canada.

Those witnesses on November 1, before the fall economic statement, said that this was urgent. They wanted to see action. Everybody has been very polite, and we're saying it's great that the government recognizes it, but there doesn't appear to be anything in the fall economic statement that is really going to be taking action now.

Can you please elaborate on that? Can you give us some advice for the next budget on what needs to be done promptly so that we don't see this flight of capital investment out of Canada? We have all the tools here, as Ms. Gingrich said, for the value-added part of it, and we don't want to be just sending minerals down there. We want to be building here. Can you please give us some good advice on that?

● (1330)

Mr. Trevor Kennedy: I think I'd repeat what others have mentioned before.

On the move from build back better to the IRA, we agree that now we're inside the tent. The IRA did make Canadian content, North American content, count for some of the EV credits, for example, or the incentives. That's a positive development from build back better, but the risk we face now is that if you are an investor, whether you're in Canada or an international investor looking at investing in North America, you're not facing a level playing field because of the IRA and because of the generous programs in place.

In the fall economic statement, some interesting programs were announced, but there are a lot of details we need. Our response to it is that we are looking for a budget early next year to clarify what these programs will look like. Every day is important. We know that countries around the world are looking at Canada and looking at the United States, and they're making decisions now that will impact our trade for the next several decades. Really, time is of the essence, I think.

That's the way I'd answer that question.

Mr. Colin Carrie: I think we would agree with that. We had Toyota here on November 1 as well and they mentioned the urgency, because companies can't just ramp up overnight. They need to have certainty in policy. They mentioned they wanted to see that firms manufacturing here are not penalized for choosing to build vehicles and batteries in Canada.

Could you please elaborate on these planning decisions that companies have to make? How far ahead do they have to make these decisions before they make the investments in Canada? If we don't get it right in the spring, this could be devastating for economies like the one my community depends upon.

Mr. Trevor Kennedy: Well, I think we're seeing very rapid change in this sector, particularly in the auto sector, but many other sectors are making, as I noted, a once-in-a-generation change. The next several years will be really critical. The IRA set out a very clear path for how the United States plans to attract investment into their economy and we're seeing a lot of interest.

There was a lot of interest in Canada, and I think there still is, but now there are questions about how we plan to respond. Answering those for companies, whether they're from Japan, Korea, Germany or elsewhere, is really critical to make sure that we attract the next generation of investment.

Mr. Colin Carrie: The next question is for Mr. Krogmeier. Thank you very much for your comments.

You were talking about the importance of a convergence of government policy. I know that when we were in government, we worked hard to make sure that the regulatory environment between Canada and the U.S. was as consistent as possible.

Could you please comment on the competitiveness issue if we don't have a congruent or convergent regulatory environment? Also, what threat does that play in capital being lost to the United States?

Mr. Ryan Krogmeier: The crux of the issue is one of competitiveness. It's been said already that the ability to attract capital investment here in Canada with this unlevel playing field is a big issue.

In the space of renewable fuels production or biofuels production, which will be a critical component of decarbonizing over the next several decades, we will have the ability to convert all the natural resources here in Canada—forestry residue, fish oil residue, tallows and canola oil, for example—into a usable, renewable, low-carbon fuel that we can put back into farmers' and consumers' gas tanks. There is a virtuous cycle there that we will not be able to achieve if we cannot attract the capital investment needed to fund these types of projects.

The Chair: Thank you very much.

Mr. Arya, you have six minutes, please.

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

In Canada we are prosperous. We have a high standard of living because of our international trade. I think 65% of our GDP comes from trade, and the bulk of our trade is with the U.S.

Whatever the U.S. does on the economic front will certainly affect us. We have to be cognizant of that fact. I am glad that we are looking in detail into the U.S. Inflation Reduction Act and seeing the consequences for Canada.

In my view, in addition to this very important act, I think we should simultaneously consider the CHIPS and Science Act of 2022, passed by the United States. That's a $280-billion act. Though it is popularly known as the CHIPS act, with $52 billion going into CHIPS production, $200 billion is going toward setting up 20 technology centres. They're CHIPS-related energy transition biotechnology centres.

Those investments are what the U.S. experts call "the most significant investment in industrial policy that the U.S. has made in the last 50 years or more." That is also important. We have to look into how that affects Canada in various spheres of the economy here.

A few days back, the U.S. Secretary of Commerce stated, "This is a once-in-a-lifetime opportunity, a once-in-a-generation opportunity, to secure our national security and revitalize American manufacturing and revitalize American innovation and research and development." Having said that, we are focused on the U.S. Inflation Reduction Act. The talk is on trying to match whatever the U.S. is doing.

During the last meeting, we had several witnesses, and I think two key points that were brought out were from the president of Canada's Building Trades Unions, Sean Strickland. He mentioned that we cannot "respond line by line", but we should respond "smartly". That is what I think we should focus on.

We are talking about the flight of capital and how Canada is losing all the money that will go into the U.S. At the same time, we are forgetting that a few weeks back, the U.S. military was exploring how it can invest in Canadian mineral projects and critical minerals. That was a surprise for many, but not to several of us. We know that the defence production sharing agreement from 1956 considers all Canadian companies to be U.S. domestic companies for defence purchases.

We have certain significant areas of strength in Canada. For the strategically important things we have in Canada, I think we can focus on and respond smartly to those sectors.

Recently, the Government of Canada signed an agreement with the Ontario provincial government for the Ontario regional table. This is the ninth regional table agreement that the federal government has signed with a province, wherein we try to align resources, work on the timelines and plan to work on the regulatory process so that we can jointly develop the smart electricity grid and the critical minerals supply chain, and we can do things related to nuclear technology and sustainable forestry.

I would like to ask Mr. Kennedy of the Business Council what his thoughts are on these regional tables. What are the key things for which we can adopt a team Canada approach, similar to how all the political parties in Parliament, the provinces and the industry bodies worked together when it came to the NAFTA renegotiation? In the same way, what can we do in the context of these regional tables? What are the key things we need to address jointly?

● (1335)

Mr. Trevor Kennedy: I'd be happy to share, but maybe more in a general sense.

I think it's critical that industry and government work together. We are facing a very competitive global environment, and we are seeing our partners, but also sometimes our competition, around the world really taking an aggressive approach towards securing future supply chains and dominance in certain sectors.

For Canada to remain competitive, we need to have a close partnership. I'll go back to my previous message around the need for urgency in light of the challenges we're facing globally.

● (1340)

Mr. Chandra Arya: Thank you, Mr. Kennedy.

The Chair: You have 40 seconds left, sir.

Mr. Chandra Arya: Mr. Montgomery, time is quite limited, so for you it's the same question, if you can give me your input.

Mr. Chris Montgomery: As far as the regional tables go, I think industry hopes that the provinces and the federal government can work together to remove particular barriers to emission reductions in the sector. For our sector, those would be a combination of electrification and CCUS.

The Chair: Thank you very much.

Mr. Savard-Tremblay, go ahead for six minutes, please.

[*Translation*]

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

I'd like to say hello to the witnesses and my colleagues, and thank the witnesses for their presentations.

Mr. Kennedy, after the last update, your senior vice-president Robert Asselin published a rather critical editorial. In it, he pointed out, among other things, that for several budgets now, the government has been spreading itself too thin by creating all kinds of funds, and we've yet to see a credible, well-crafted industrial strategy in Canada for the advanced technology sectors. He also lamented that there seems to be no sense of urgency.

In your view, how could we get around this scattered behaviour? How do we come up with a well-crafted industrial strategy? What should that strategy include?

[*English*]

Mr. Trevor Kennedy: My colleague Robert Asselin would certainly be a good person to speak to in the future. My focus is more on international trade and our competitiveness, so I'll have to answer in a very general sense.

This goes back to a comment I made previously about looking at the United States in particular. It has approached industrial policy in a very aggressive way to secure its leadership in the key critical sectors that it's identified. Canada needs to have an adequate approach—

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Madam Chair, we haven't had any interpretation since Mr. Kennedy started answering my question.

[*English*]

The Chair: Could you just hold on while we check the interpretation?

Please start your response again, sir.

Mr. Trevor Kennedy: Sure. I'll try to repeat it the best I can.

Is the interpretation working now?

The Chair: No.

We'll have to suspend for a moment while we clear up the interpretation issue.

● (1340)

_____________________(Pause)_____________________

● (1340)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Madam Chair, the interpreter says we can do a test.

[*English*]

The Chair: Can you repeat your answer again?

Mr. Trevor Kennedy: The third time's a charm. I'll do my best to answer.

My focus at the council is more on the international policy side. My colleague Robert Asselin would be much better positioned to speak about industrial policy at length.

I'll repeat a message that we've communicated, looking at the United States in particular given the IRA. CHIPS was referenced too, as were other key activities.

The United States is aggressively approaching industrial policy in a way to secure its dominance in certain key sectors. We think Canada needs to look closely at how our partners and competition around the world, principally the United States, are leading the way with industrial policy, which is often a close partnership between industry and government to ensure that they have the technology, innovation and environment needed to lead in the future economy.

I apologize that I won't be able to go into too much detail beyond that given my area of expertise, but I certainly think it's a very important topic to look at in the context of our trade relationship with the United States and how we remain competitive over time.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Given that we must urgently respond to the U.S. Inflation Reduction Act 2022, what steps that have not already been announced could be taken to help our industries?

[*English*]

Mr. Trevor Kennedy: To reference the fall economic statement, there were interesting measures and measures that are more targeted. I think the reality for Canada and for many of our peers around the world, whether they are in the European Union or elsewhere, is that we don't have the resources. We can't match the U.S. dollar for dollar, but there are targeted measures in the fall economic statement.

The question we go back to is on the details. Until the details are confirmed, we don't know whether we've had a chance to level the playing field and whether or not industry will have an adequate response to the IRA. Once again, we're looking towards budget 2023 early next year as an opportunity to clarify some of those measures.

● (1345)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: The time is now. We're here to hear from you if you have any recommendations or suggestions, in the hopes that they will make it into the budget.

Would you like to add anything in particular?

[*English*]

The Chair: Do you want anyone in particular to address that issue?

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Yes, it was for Mr. Kennedy again.

[*English*]

Mr. Trevor Kennedy: I think we'll have some communication around that soon, but the general point is that we'd like to see a budget early in 2023 to clarify how some of these tax credits will function, how the Canada growth fund will function and so on.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Ms. Gingrich, if there's not enough time, we will continue in the next round of questions.

The government is providing $250 million for a variety of employment and training related measures, including the creation of a sustainable jobs training centre and a new sustainable jobs training program.

What are your thoughts on the announcement? With the United States investing heavily on its side, will the Canadian funding be enough to compete with the United States?

[*English*]

Ms. Meg Gingrich: It's hard to say whether it will be enough. I think a lot of it has to do with the design of how the training happens and who it's done with. If it's done in conjunction with unions to figure out where the skills are now, where some skills gaps might be, what type of training is needed, whether there are jobs at the end of it and whether there is a real commitment to good union jobs at the end of it....

I'm not sure if the amount will be sufficient, but I would say that almost more than anything, a lot of this has to do with design and the inclusion of unions in this type of training and in planning it so that we're making sure we're using the skills that our workers have for these jobs going into the future, especially as the existing jobs might be threatened.

The Chair: Thank you very much.

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

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

Thank you to all the witnesses.

I will continue with Ms. Gingrich with a follow-up to that question.

You talked about the need for value-added critical minerals. When I was in the natural resources committee in the last Parliament, we had a study on critical minerals and talked a lot about the need for a vertical ecosystem, from exploration to mining—graphite, lithium, cobalt, rare earth metals, etc.—to the production of battery parts, the production of batteries and the manufacture of cars and recycling batteries. It's the whole ecosystem.

I'm wondering if you could expand on that idea and talk about what we need to do to make that happen. We've all heard about the need for a quick response here, both in terms of maintaining our trade position with the United States and in terms of what needs to be done in the fight against climate change. What do we need to do? It includes training so we can have the good union jobs that a lot of workers had been getting in the oil patch as it declined over the decades, but what do we need to do right now? What does this government need to do to help your union members?

Ms. Meg Gingrich: I think there are investments along the supply chain. We're seeing that in the United States, where there is a shift towards an industrial policy and an entire supply chain approach. Canada is well positioned given our critical minerals. Of course, it will take a lot of time to develop some of them, but we're seeing increased production in nickel and some others, occasionally even with government help to try to get contracts to make sure the minerals extracted here are actually manufactured here using the facilities and skills we have now to be able to manufacture them.

Those often exist, but it does take some planning. It takes comprehensive policies but also working with unions. It takes labour market research and things like that to really analyze where the potential is and where the gaps might be to make sure that we provide training. It also takes working with workers to be sure that they're getting the jobs that might emerge.

There's the possibility of investments or different types of tax credits. I think you see a lot of that in the IRA. As others have said, we don't need an exact dollar-for-dollar approach, but we need some of the things the U.S. has done with various incentives and investments to make sure they are using not only the critical minerals component but the manufacturing component. Those are all included in this comprehensive policy. We need something similar to make sure we're not just exporting all of our critical minerals abroad and having the manufacturing done there.

● (1350)

Mr. Richard Cannings: Thank you.

You also mentioned green steel. I hear the government talking about green steel and how Canada is going to be a leader in this.

Can you update me and the rest of the committee on where we are with green steel and how long that timeline is? Are we ahead of the United States? Will this give us an advantage in these talks?

Ms. Meg Gingrich: I would say we're already a leader in green steel. Canadian steel is some of the cleanest in the world. Of course it's high emissions, but comparatively, it is much lower emissions than the steel produced almost anywhere in the world. It's on par with the United States, and it might be a bit cleaner.

There are things we can do immediately in that sense, such as having emissions targets in public procurement policies so that when you're doing public infrastructure, you're using greener steel, which often would be steel made in Canada. We also need to maintain our access to the U.S. markets as much as possible. As much as the U.S. is turning towards lower-emissions steel, Canada is very well placed on that, even with the current level of emissions from steel.

In terms of the shift longer term and the different technologies coming in to make steel cleaner, we need more investment in that, whether it's hydrogen or even shifting towards electric arc furnaces. That's part of it, but it's not the only solution. We've seen investments in Algoma, for example, to shift towards an electric arc furnace. That will hopefully maintain the mill in the community of Sault Ste. Marie for a long time.

When making those types of investments, you have to make sure you're including the union in the discussions, because some of our members will lose their jobs or will have to be retrained. To get real union support on these types of things, you need to include us. That's something that I will always emphasize.

Generally, I think Canada right now is very well positioned on green or clean steel, and we can only get better. Its use will be helpful in domestic infrastructure projects and in the U.S.

The Chair: Thank you very much.

Mr. Baldinelli, you have five minutes.

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

Thank you to our witnesses for being here this afternoon.

I'm going to build on what several past witnesses talked about. I think Mr. Montgomery talked about it as well.

The IRA in the United States takes more of an enabling approach, and Mr. Montgomery talked about the carrot-and-stick approach that Canada pursues. That's been raised by previous witnesses as well. When you see $390 billion injected into the system, the Americans are looking to pull in investment, while Canada has regulatory uncertainty in where we're going to go. As Mr. Kennedy talked about, we need to act almost with a sense of urgency to respond to the provisions of the IRA.

When we look at some of the tax credits—Mr. Montgomery, this one would be for you—and the credits that specifically talk about the critical mineral provisions, the U.S. put them right in their legislation. They're talking about increasing the number from 40% in 2023 to 50% in 2024 to 60% in 2025 to 70% in 2026.

Is Canada even able right now to commit to fulfilling those requirements? Do we still have regulatory burdens that hinder us from being able to meet that kind of demand?

● (1355)

Mr. Chris Montgomery: I would respond in the first instance by saying that our members explore foreign-produced oil and natural gas. They're not so much invested in the critical mineral space at this particular time, although it may be of interest in the future given that some of those critical minerals are contained within the brines that are produced through oil and natural gas.

Mr. Tony Baldinelli: But what's your experience on the whole regulatory front? I mean, to draw in that type of investment, investors and corporations are looking for certainty. Is Canada the place that's providing that right now?

Mr. Chris Montgomery: I would agree that investor certainty is key and regulatory certainty is key.

With respect to CCUS, which I raised today, Canada does need to do more, and quickly. As I said, government has two or three different levers it could pull to create that certainty, and it could do it pretty quickly, I think.

Mr. Tony Baldinelli: Mr. Kennedy, could you comment on regulatory certainty, and also the aspects that this government needs to examine as part of its budget, probably in March, to provide some certainty for those looking to invest?

Mr. Trevor Kennedy: Absolutely. In the fall economic statement, you did see some focus on clean hydrogen and critical minerals, which are very important, at least in the effort to accelerate our move toward those resources. At the same time, we know there's incredible interest in LNG around the world. Our partners have come to Canada asking for LNG and are curious about LNG.

We know that our government has at least spoken about supporting our friends and allies around the world through our energy and energy security. We have asked for some details to clarify how we can assist in developing these projects to ease the regulatory burden and speed up the approval process where necessary so that our partners can rely on Canada to be part of their energy mix for the future and for energy security. We didn't see that in the fall economic statement, but we certainly hope it will be clarified in budget 2023.

Mr. Tony Baldinelli: Thank you.

Ms. Gingrich, perhaps I'll quickly go to you. I come from an auto manufacturing area, just like my colleague Mr. Carrie. Currently, an engine plant is located right next to my riding. It employs 1,200 workers. At one time we had three plants in that community—with 10,000 workers—all running three shifts.

The point you raised was about Canada not only being a destination for critical mineral extraction. You'd like to see manufacturing jobs created as well. Selfishly, I think we'd all like to see those investments made in our local communities. I'd like to see investments made in that engine plant going into the future.

In your conversations, you talked about a distinction. The Americans are looking through this act.... They've tied their industrial policy into their environmental policy, with $390 billion over 10 years. They're going to reduce emissions by 40% by 2030, and there's no carbon tax there.

You mentioned in your remarks that Canada should not raise the carbon tax. Can you explain how that makes it a disadvantage to invest here in manufacturers?

Ms. Meg Gingrich: Well, it can if it's unequal. If there's a carbon tax here and there isn't one in the United States, and there are all sorts of other incentives for them to produce in the U.S., it gives a clear advantage to the U.S. steel producers. It would simply cost more to do it here.

I think there are several solutions to that. It's not that we're necessarily opposed to a carbon tax at all, but maybe there are other methods. I've talked about green steel before and incentivizing the use of it in procurement policies. That's a way of ensuring that we're still producing things domestically despite what could be a disadvantage. It's more that we need multiple policy responses to ensure that we're not disadvantaged.

I also mentioned the carbon border adjustment, which is something our union has been in favour of. This is maybe more about looking internationally at the overproduction of steel that exists globally. It's coming into our market as a way of undercutting Canadian steel—

The Chair: Thank you very much, Ms. Gingrich. I'm sorry to interrupt you.

Go ahead, Mr. Miao.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair, and thank you to all the witnesses who are appearing today.

First, I'd like to ask Mr. Krogmeier some questions.

You mentioned in your remarks the refinery in Burnaby, British Columbia. I know that recent gas prices in British Columbia are at record highs. I understand your company is planning an expansion of the current refinery facility.

Could you tell the committee a little more about the plan moving forward to transition to clean technology and how this would benefit British Columbians, who will pay less for their gas?

● (1400)

Mr. Ryan Krogmeier: We plan to invest well over $650 million—in the right environment, of course—in a renewable diesel complex, with the potential to invest in sustainable aviation fuel. That will be 6,500 barrels per day, which is a little over one million litres of low-carbon sustainable fuels.

This economic activity and the expansion of the refinery will bring hundreds and hundreds of jobs during construction, and of course it will lead to dozens of good, permanent union-paying jobs at the refinery for many years to come. It is a great benefit economically to British Columbia and to all of Canada, because we will be able to bring in Canadian raw materials—canola oil, tallow, forestry residues—and use Canadian railroads and Canadian labour to then put fuel back into Canadians' tanks.

Mr. Wilson Miao: Thank you for that.

You mentioned in your remarks that domestic demand is decreasing. What's your plan moving forward to promote more domestic supply being used domestically? How is the IRA impacting that right now?

Mr. Ryan Krogmeier: We want to continue to increase our current low-carbon fuels manufacturing capacity and take that to the consumers in Canada and in British Columbia.

Again, the IRA implies, because of the uncompetitive nature that we will be in, that we will not be able to compete against U.S. production once our facility is up and running. This is because the variable cost for U.S. producers to make those low-carbon fuels will be much lower than our cost to manufacture. Therefore, we won't be able to compete.

While we continue to advance our low-carbon fuel standards here in Canada, that supply has to come from somewhere, like the U.S. It can come from overseas, of course, but the U.S. today supplies most of the ethanol, biodiesel and renewable diesel that we consume here in Canada. That trend will only continue.

The hope is that by levelling the playing field, we can compete on a level playing field.

Mr. Wilson Miao: I understand that right now jet fuel is being transported to YVR, which is part of my riding of Richmond Centre. I also understand that Abbotsford airport is becoming an international airport in a more suburban area.

Will those demands also impact the production level moving forward in the future?

Mr. Ryan Krogmeier: Yes, absolutely. YVR is a large consumer of jet fuel today, as we all know, and it will be a large consumer of sustainable aviation fuel in the future. As to what exactly those regulations to consume sustainable aviation fuel will look like, we'll have to see the pace, but they are coming.

We want to be a part of the solution, but again, we need a level playing field in order to do that.

The Chair: Thank you very much.

We'll go to Mr. Savard-Tremblay for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Ms. Gingrich, if you don't mind, will pick up where we left off earlier. You were telling that you weren't sure the Canadian funding would be enough to catch up.

In your opinion, what measures should be put in place urgently in response to the U.S. legislation?

[*English*]

Ms. Meg Gingrich: Is this specific to the sustainable jobs you were asking about earlier? Is it that fund?

● (1405)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Yes, but feel free to respond generally as well.

[*English*]

Ms. Meg Gingrich: It's hard for me to give specifics, both in terms of that particular fund and overall in terms of the money that needs to go toward all of this. I don't have a good estimate at this time of what that looks like.

I think the main thing is to develop a comprehensive policy to look at it similarly to how the U.S. is looking at it. That is, essentially, as a green industrial policy in which action on climate is tied in with job creation, with a particular emphasis on creating good union jobs.

There are a host of measures. We need to expand on some of the things we've seen. We started to see some tax credits and other types of incentives for clean energy and that type of stuff. As some of the others have said today, it's not always exactly clear. Some of the rules in that are not as clear as what we've seen in the IRA.

I think what we need to see is more clarity on various tax incentives. We need green procurement policies. We've started to see them, but we need stronger ones that ensure we're using clean steel, aluminum, wood and cement in infrastructure projects, and we must ensure they will create good jobs here in Canada.

Again, we need policy concurrence across the spectrum. That includes on trade, where we're making sure we have things like carbon border adjustments or other things so that we're not undercutting our own domestic manufacturing by bringing things in from abroad that are cheaper and that are poor for the environment and poor in terms of labour.

It's hard for me to quantify exactly what that looks like, but I think what we need is clear, comprehensive planning that connects climate policy with job creation.

The Chair: Thank you very much.

Mr. Cannings, go ahead for two and a half minutes, please.

Mr. Richard Cannings: Thanks.

I want to continue with Ms. Gingrich.

I was hoping to ask you about border adjustments earlier, but I ran out of time. You've mentioned this a couple of times since. I've been hearing about border adjustments for the last seven years, and for the last couple of years, the government has started talking about them.

Where are we with the possibility of using border adjustments and how likely is it to happen? Is there a timeline where that might happen? What I'm trying to get at is whether this is something we can rely on.

Ms. Meg Gingrich: I think it's part of something larger. The European Union has been working on theirs and designing theirs for years, so it's not a fast process. It's takes a long time. I know there was a consultation on this maybe about a year ago, and the United Steelworkers put in a submission. As far as I know, that's stalled. I could be wrong about that, but it was something we heard a lot about as the EU was developing its carbon border adjustment mechanism. I think we need to look into it in more detail and come up with a plan.

It will be several years before it gets implemented, if that's the way we go with it. It's certainly not the only policy option, but it's important, and one that we find our members, particularly in energy-intensive industries like steelmaking, typically support. In other places they have fears about various decarbonization efforts, but this is something we really find our members get behind.

Mr. Richard Cannings: In the one minute I have left, I'll go to Mr. Golinowski.

I'm curious as to where the carbon capture market and system is outside the oil and gas industry in Canada. I think you briefly mentioned the heavy industry, where in Europe we see people going to carbon capture. Is that happening in Canada?

Mr. Craig Golinowski: Plans in engineering are under way, but until we have clarity on policy and price, I think we're unlikely to see large volumes of capital being deployed.

In the United States, with the Inflation Reduction Act, the section 45Q tax credit was substantially upgraded, so for the production of hydrogen, electricity, ammonia and ethanol—a variety of the building blocks of reality and of society—the United States has chosen to pay for the carbon capture and sequestration process. For producers of those products—hydrogen, ammonia and so on—in Canada, we are using a carbon tax plus the investment tax credit. They are different approaches, but I would very much echo the comment that has been made today that the United States is prepared to buy the carbon and pay for it, and industry participants see that as far more competitive and more interesting to attract capital.

● (1410)

The Chair: Thank you very much.

Mr. Martel, go ahead for five minutes, please.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Mr. Kennedy, I'm concerned that fewer and fewer foreign investors are coming to Canada right now.

You gave me pause earlier when you talked about the U.S. Inflation Reduction Act 2022. With this legislation, investors will certainly go to the United States because it's currently to their advantage to do so.

That should be remedied somewhat so as not to leave a clear advantage to the Americans. I'd like to hear your opinion: What do you think should be done?

[*English*]

Mr. Trevor Kennedy: It's a very difficult question, because we have the same impression that there is a great deal of interest in Canada from a wide range of countries around the world that haven't necessarily always invested a lot in Canada but are looking to Canada as part of their climate change plans and for economic or energy security.

The Inflation Reduction Act has changed the landscape for Canada. Every investor who is looking at Canada is at least going to question whether the IRA presents a more favourable environment and whether to invest in the United States over Canada. It is a really serious challenge, given that companies are making plans for this and countries are making plans for their economies for the next several decades. Whether we're talking a span of several months, half a year or a year, we don't have answers to these questions. In that time, it's going to be very difficult for Canada to attract certain kinds of investments, whereas the United States has very clear sets of rules and plans in place, whether for tax credits or other incentives.

This is absolutely critical, and looking once again to the fall economic statement, some plans were outlined to address this competitiveness gap. However, many of the details need to be confirmed or ironed out, whether that's done in the budget or in the time in between. The top-line message is to act with a sense of urgency and make sure we clarify these things as soon as possible for any international investor.

[*Translation*]

Mr. Richard Martel: Once again, I'm hearing the same words over and over: we need to move quickly, we can't lag behind, we have to be even clearer, we're never clear enough.

On November 1, 2022, the representative of Canadian Manufacturers & Exporters testified before the committee that certain provisions of the U.S. Inflation Reduction Act 2022 have drastically increased the amount of funding the U.S. federal government provides to domestic manufacturing companies. He added that the U.S. funding measures could trigger an outflow of investment from Canada to the U.S. and result in a loss of manufacturing jobs in Canada.

If, as Canadian Manufacturers & Explorers is saying, the U.S. legislation has triggered an outflow of investment, which sectors would be hit hardest in Canada?

[*English*]

Mr. Trevor Kennedy: Canada has certain advantages. We know Canada is home to many critical minerals, which would give us some hope, at least, that we have some natural advantages in certain sectors. As we move through the supply chain and look at the auto manufacturing and auto parts sectors or the battery supply chain, we know there's a real competitiveness challenge now given the IRA. Many other sectors have the same situation.

We have seen a great deal of interest and some great announcements in the past several years or even in recent months, and we are going to have to find a way to keep up this momentum and interest. Whether it's in the auto sector or other areas of advanced manufacturing and clean technology, Canada has to address this competitiveness gap and do so very quickly. Otherwise, companies will look elsewhere.

[*Translation*]

Mr. Richard Martel: Since brought up critical minerals, do you find it normal that our phosphate, which is of good quality, is not yet recognized as a critical mineral?

● (1415)

[*English*]

The Chair: Who are you directing that question to?

Mr. Trevor Kennedy: I'm sorry. Was that a question for me?

[*Translation*]

Mr. Richard Martel: I'll repeat the question.

[*English*]

Can I repeat it?

The Chair: Yes, please go ahead.

[*Translation*]

Mr. Richard Martel: Since you brought up critical minerals, do you find it normal that we have high-quality phosphate in Canada, but we're unable to have it recognized as a critical mineral?

One of the things we discussed earlier was the advent of electric vehicles. I feel we have an advantage in that respect.

[*English*]

The Chair: It doesn't look as if anyone can respond.

[*Translation*]

Mr. Richard Martel: It's for Mr. Kennedy.

[*English*]

Mr. Trevor Kennedy: Unfortunately, I wouldn't have any technical information there, but it's certainly something I can look into. I think some folks working in the mining sector would be in a better position to answer that question.

The Chair: Thank you very much. I'm sorry, but your time is up.

Go ahead, Mr. Virani.

Mr. Arif Virani: Thank you, Madam Chair.

I'm going to direct this question to Ms. Gingrich.

I was quite pleased to hear you talk about how the approach of the American IRA is a wedding between climate policy and a new industrial policy. That's the kind of vernacular we've been using as a government for literally seven years. I can remember Catherine McKenna talking about the economy and the environment going hand in hand. She was sometimes ridiculed by certain members of the House of Commons, but so be it.

We know this has now come into sharp relief. I think there was a bit of an abeyance under the Trump administration of how acute that linkage was, but with the Biden administration and the IRA, it's been thrown into sharp focus. I'm in complete agreement with you on that.

I'll confess that I have some puzzlement about your opening intervention, however. I think Mr. Baldinelli asked you about the carbon price, but I'm going to ask you about it again. You talked about the carbon price itself. You know that steel, aluminum and cement are trade-exposed industries—you outlined that. You know they're not subject to the carbon price in the same manner that other industries are. They're subject to what's called the output-based pricing system, which accounts for the fact that they're trade-exposed.

You also mentioned Algoma. My colleague Terry Sheehan always talks about Algoma and that electric arc furnace innovation you mentioned. Isn't having a carbon price the exact market mechanism economists have been constantly urging us to have? First of all, it gives clarity to industry on pricing. Second, it spurs innovation in industry, as we're seeing with Algoma right now.

Could you comment on that? I'm having trouble understanding your and your union's position.

Ms. Meg Gingrich: Sure. Our union isn't opposed to a carbon tax. I guess the issue we see here is that if there's a lack of one in another country and there are additional incentives there, then without additional policy measures domestically, that could give an advantage. Take U.S. steel production, for example. It's not a complete opposition to the carbon tax, but we are hesitant to advocate for any increase of it at this time.

In terms of Algoma, yes, there is a shift to the electric arc furnace. There was a major investment there that assisted that as well. It's true that having some clarity on these things is helpful, but what we want is some degree of equality between advanced manufacturing countries in terms of carbon pricing, or, as I said, concurrent policies that ensure we're not losing out because we have a price and other places don't.

That's why I mentioned it in conjunction with a carbon border adjustment and also things like green procurement policies that ensure we're creating domestic markets for our steel, aluminum and other products.

Mr. Arif Virani: I think the green procurement idea is actually a very sound one, and I heard your comments in response to Mr. Cannings when he was asking about the border adjustment policy. However, I also think the vernacular is important. You'll probably be fully aware that the carbon price was challenged in the Supreme Court of Canada. They clearly and unequivocally indicated that it is not actually a tax at all. It doesn't have any of the hallmarks of a tax because the money is returned to individual Canadians.

Let me turn now to you, Mr. Kennedy. We've been talking about unionized jobs and about different sectors that can be supported. One thing that is included in the new investment tax credit regime is small modular reactors on the nuclear side. There's a bit of a caveat thrown into the fall economic statement about large nuclear being explored.

Can you add to the conversation and give us your thoughts about large nuclear? How does that fit into our proposals and what we need for supporting clean energy needs for Canada and the rest of the planet? How would you envisage some sort of tax credit applying to nuclear, particularly large nuclear?

It's over to you, Mr. Kennedy.

● (1420)

Mr. Trevor Kennedy: One of Canada's advantages, as we know, is that we have access to clean electricity. Because Canada is also supporting nuclear power, both in the large sense and towards the future with SMRs, we have an incredible opportunity. Again, our access to hydroelectricity and other clean forms of electricity is an advantage for Canada.

I'm not aware of any plans for expansion across Canada. I'd have to look at each jurisdiction individually. It is an advantage for Canada, when we look at our competition around the world, that we have access to clean electricity, and certainly as to that question about competitiveness.

Mr. Arif Virani: Thank you.

The Chair: Mr. Hoback, it's nice to see you back at committee. You have five minutes, please.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair. It's nice to see everybody around the table.

I want to thank the witnesses for giving us their Friday afternoon so we can talk about something very important to Canada.

Ms. Gingrich, you talked about the carbon tax. I think what you were trying to say—I don't want to put words in your mouth—is that you don't like being disadvantaged by it. If there's a carbon tax across the border in the U.S. like there is in Canada, at the same cost per tonne of carbon in Canada as in the U.S., you would not be opposed to a carbon tax. However, if there isn't, then the carbon tax creates a problem for you and your members. Is that fair to say?

Ms. Meg Gingrich: I want to be careful on this. We're not opposed to putting a price on carbon. We're not necessarily opposed to a carbon tax. However, yes, I think the combination of the lack of a price on carbon in the United States and the provisions of the IRA could put the Canadian steel industry at a disadvantage, including our members.

As I've said—and I don't want to get too repetitive—there's a host of measures to deal with that. We're not absolutely opposed to the carbon tax or putting a price on carbon. It's only that we have to be careful about the impact on the trade-exposed sectors.

Mr. Randy Hoback: It's fair to say, though, that what we see in the current environment is that you have a program, a carbon tax, that is basically punitive, and you have programs in the States that are more like carrots. You're incentivizing companies to do the right thing. In Canada you're punishing companies to do the same thing by taxing them.

Is that not creating a really disjointed balance with regard to where you locate your businesses going forward? If you're going to get punished in Canada and get rewarded in the U.S., wouldn't you see more activity in the U.S., and wouldn't that impact the aluminum and steel business as well?

Ms. Meg Gingrich: It could, especially if there are no procurement policies. I think we have seen some, and we would like to see more in domestic procurement so we have green provisions, because our aluminum—and I haven't focused as much on aluminum—and steel are, as I said, some of the cleanest in the world.

I think you can counter that with carrots, as you put them, but we need to be careful. We need to match or do something that works in the Canadian context to make sure we are not disadvantaged.

Mr. Randy Hoback: Mr. Martel, of course, is the man who, during the USMCA process, coined the terms “green aluminum” and “green steel”, which created a differential end product so that it's not a commodity. It has value because of what goes into the process.

We have green power and hydro power, and we're talking about small modular reactors, which are all great things going down the road. Small modular reactors are probably still 10 years away, but we have lots of hydro power.

When you look at the whole production facility process of, let's say, a refinery, you're also going to need CCS, or carbon capture and sequestration. You're going to need it, for example, in the cement sector or the steel-producing sector. If you don't see CCS getting the same incentives in Canada as it is right now in the U.S., why would you locate your facility in Canada when you can get all those credits in the U.S.? Plus, you can meet your ESG requirements in the U.S., whereas in Canada you can't. Would you not agree?

Ms. Meg Gingrich: I don't know if that was for me.

● (1425)

Mr. Randy Hoback: Yes, it was.

Ms. Meg Gingrich: What we're talking about is the need for Canada to have policies similar to those that exist in the IRA to ensure that production doesn't move to the United States or that new production isn't only created in the U.S. The IRA covers all of those things. That's what we're saying here; we need something similar. We've started to see that, but if we don't see a more comprehensive policy on these things, then there is a possibility that investing in the U.S. and creating jobs there will be more attractive because of all the things in the IRA.

Mr. Randy Hoback: Mr. Krogmeier, you talked about your refineries and the location of your refineries. As you look down the road and at your ESG requirements, what do you want to see in the front-end requirements of your refineries as far as the power or gas going into them is concerned? What do you need for the back-end requirements in your refineries so that you can meet the ESG requirements that markets are asking for?

We're already hearing stories. The insurance sector is saying that you need an ESG program. We're hearing the financial sector saying that if you want them to finance your operations, you're going to need that—but not only you. You'll have to make sure that all your suppliers, upstream and downstream, are part of that process.

How do you fund that, and how is that being done in Canada as compared to the U.S.?

Mr. Ryan Krogmeier: It's important that we think about our ESG objectives holistically. Suppliers' qualifications will be important. Are they a responsible counterparty as well? We evaluate our suppliers on the same basis and are starting to more and more.

Refineries consume a lot of electricity and natural gas, so renewable natural gas is something we need on the front end to make that turn, as well as clean electricity. We are a big hydrogen producer. For our future investments, we will look at producing hydrogen that we call “greener”. I will not say “green”, because there are different definitions for blue, grey, green, etc.

Everything will have to have a lower carbon intensity in general—all the inputs into the refinery. Then, what goes out also has to be of a lower carbon intensity. We will use new technology inside the refinery to take, for example, the off-gasses from the refining process that are low carbon themselves—because they come from low-carbon raw materials—and burn that instead of higher carbon intensity alternative fuels.

Again, I go back to the virtuous cycle—

The Chair: Thank you very much. I'm sorry. Your information is very valuable.

Mr. Randy Hoback: I have one quick question.

The Chair: I've given an extra minute or so, and I'm trying to get Mr. Sheehan in here for four minutes.

Mr. Randy Hoback: Okay. I apologize.

The Chair: Mr. Sheehan, go ahead, please.

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

Thank you all for the testimony in today's very important study. I really appreciate it.

I'd be remiss if I didn't ask my friends from the United Steelworkers a question.

Cody Alexander, a steelworker from the Soo, says hello to Marty. I told him I would pass that on.

The steelworkers played a pivotal role in the team Canada approach we had as we fought section 232 tariffs. We worked with our counterpart, because we have United Steelworkers here in Canada and have United Steelworkers in the United States.

Meg, what kind of dialogue do you have with the United Steelworkers about the IRA? Do you guys share your ideas for working together? Our economies are so integrated. Algoma Steel in Sault Ste. Marie has 60% of its steel exported to the United States, and it goes into the auto industry and manufacturing industry. The section 232 tariffs were really a tax on Americans. That was our position. As soon as they hit us with section 232 tariffs, they were hurting Americans. The price of their fridges went up by 25%.

Meg, please share some of the dialogue you have had with the American unions about this.

Ms. Meg Gingrich: We do talk quite a bit. The U.S. side of the union shared their analysis of the IRA in advance, particularly on some of the domestic content requirements. We always work together. There's always a delicate balance with the rest of the larger U.S. labour movement, but as much as possible, we're very united in promoting a binational approach.

When it comes to the history of cheap imports that have flooded North American markets and hurt manufacturing jobs, Canada is never the problem. We're the best trading partner.

We talk at the highest levels of the union. We share our analyses. A third of the total membership is in Canada, so we're very influential in terms of the union's policies overall.

Even if we see a problem now with certain aspects of the IRA that we think might hurt our membership, we'll talk with our folks in the U.S. They work quite closely with the Democratic Party in particular and have influence there, as well as with the AFL-CIO. When we originally saw in a previous iteration the U.S. content rules for EVs and batteries, we were able to work with our leadership in the union in the United States to ensure they had influence over the AFL-CIO's position and the steelworkers' position.

Being an international union was extremely helpful regarding the section 232 tariffs. We immediately responded by saying that Canada was not the problem, and we were able to use our influence in the United States, working with the Canadian side, to get those repealed eventually.

● (1430)

Mr. Terry Sheehan: That's excellent.

One of the observations I shared with the committee earlier, Meg, was that Canada is at the forefront of decarbonizing its steel outputs by going from coal to the electric arc. The market is looking towards electric vehicles. It would be really simple for a steel producer or an automaker to say, “That's a great electric vehicle, but it's made in large part with carbon that's produced by steel from another jurisdiction.” I'll just say that.

Would you not agree that there's a certain amount of advantage going forward in this whole supply chain, which is shifting exponentially right now towards electric vehicle manufacturing? Would you care to provide your perspective?

Ms. Meg Gingrich: I think we are well advantaged with Canadian steel in particular and with other cleaner industrial products. Especially if there are requirements to have a particular carbon output from the production of the materials that go into something, Canada is extremely well positioned. We need to make sure we can take advantage of that and continue to push for a binational approach. Certainly our union will continue to do that as much as possible.

The Chair: Thank you very much.

Thank you to our witnesses. Again, every one of these meetings has invaluable information for all of us at the committee.

To the members of the committee, we were scheduled to go into committee business. I've been asked by Mr. Hoback if we could defer the discussion until Tuesday's meeting.

If it's okay with everybody, we're going to defer the discussion of committee travel until next Tuesday.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I won't be here next week, unfortunately. I would have loved to be part of that discussion.

[*English*]

The Chair: If we were to discuss this, would we have to go in camera or not?

The Clerk: You don't have to.

The Chair: Okay. We don't have to. We can have a very brief discussion.

We have two options here. The discussion is whether we do three days in Singapore or two days in New Delhi, and I'll suggest this. When the logistics officers try to arrange a possible trip, it should be done depending on when we can get the most direct flights and when the logistics work better, per the logistics office. If we can get a direct flight, that would be preferable.

Second, Mr. Sheehan and Mr. Hoback have had extensive travel through this committee, so they are well equipped to help make the very best recommendations. If we get to travel, we want to make the best of that opportunity, with their input.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Can we hear their recommendations, then?

[*English*]

The Chair: Go ahead, Mr. Virani.

Mr. Arif Virani: To add in my three cents' worth, I think it might be more useful to spend three days in New Delhi as opposed to three days in Singapore, given the significance of the market in India and what's at stake, and given the extent of work that's already been done in the Asia-Pacific by the government delegation that's already there.

The Chair: We'll have further discussion on this on Tuesday.

Go ahead, Monsieur Savard-Tremblay.

● (1435)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: There is an option for the week of February 13, which is a sitting week, and another for the week of March 13, when the House won't be sitting.

I'd like to know what needs to be resolved and what the determining factor is.

[*English*]

The Chair: The determining factor for all of this travel will be the House and the whips. We've adjusted the dates that were put in at the time to simply indicate that this is for travel in the coming winter. We'll decide further on, if we get House approval, exactly when the most appropriate date is. It's still very much up in the air.

Is everybody good with that? Okay.

I think everybody knows it's Friday. Everybody looks like they're tired and they're ready to have a wonderful, restful weekend.

Thank you, Madam Clerk and our interpreters.

I move adjournment.