

**Finance Canada Pre-Budget Consultations in Advance of Budget 2025**  
***Submitted by: The Canadian Steel Producers Association***



**March 10, 2025**

## **Executive Summary**

The Canadian Steel Producers Association (CSPA) is the national voice of all primary steel producers and some of the country's largest steel consumers. Our 17 members supply the essential materials to key sectors such as automotive, energy, construction, and transportation—driving jobs and economic growth across North America. The CSPA advocates for a competitive and sustainable business environment that strengthens the steel sector and its supply chains.

The resilience of Canada's steel industry is being challenged by ongoing threats to fair and open trade. The Canada-U.S. steel trade is deeply integrated, with \$20 billion in annual trade, and continued disruption could have severe consequences for jobs, businesses, and economic stability on both sides of the border.

We recall the detrimental effects of the 2018 tariffs on Canadian steel, which led to massive disruptions and economic harm. In response, Canada has begun to align its trade policies with the U.S., implementing Section 53 tariffs on Chinese steel imports and establishing robust monitoring systems to ensure transparency in global trade. Despite these efforts, Canadian steel remains a target for baseless and unwarranted tariffs that require an immediate and decisive response to support and protect domestic steel production.

The CSPA urgently calls on the Government of Canada to take swift action in response to trade uncertainties. Retaliatory measures must be considered, when appropriate, to counteract any U.S. tariffs to ensure that Canadian steel producers and workers are protected. We stand ready to work with government and industry partners to protect the integrity and competitiveness of Canada's steel sector in the face of these challenges.

## **Strengthening Trade Resilience for Canadian Steel**

As Finance Canada prepares Budget 2025, it must prioritize policies that fortify the Canadian steel industry against both emerging and persistent trade challenges. A robust strategy should include targeted investments in trade defence mechanisms and innovation-driven solutions designed to ensure the steel sector's long-term competitiveness in an evolving regional and global market.

Creating a level playing field requires a proactive approach to trade enforcement and regulatory alignment. Strengthening domestic policies to counteract unfair foreign competition—such as subsidies and market distortions—will be essential. Additionally, the government should enhance trade monitoring and enforcement tools to prevent dumping and protect the sector from supply chain vulnerabilities.

Collaboration with key industry stakeholders, enhanced tariff response strategies, and a clear roadmap for infrastructure investment will help drive stability and growth. By fostering a competitive, resilient steel industry, Canada can secure jobs, maintain economic strength, and reinforce its position in North America's integrated supply chain.

*To enhance the competitiveness and stability of Canada's steel industry in light of ongoing trade challenges, the CSPA recommends the following strategic actions:*

**RECOMMENDATION 1 —**

**Tit-for-Tat Trade Policies:**

Like in 2018, Canada should retaliate to any US tariffs, dollar-for-dollar, like product for like product. Canada should match the US tariff items list. However, products—and derivative products—that are not produced in Canada should not be listed in Canada's retaliation. To reach a dollar-for-dollar retaliation, Canada would have to extend its retaliation to other non-steel products.

**RECOMMENDATION 2 —**

**Financial Support:**

Understanding that even with matching retaliatory tariffs, domestic steel producers and fabricators will not be able to sustain themselves through an extended period of trade disruption without proceeding to temporary or long-term layoffs. To prevent reduction in labour force in the event of tariffs, Canada should set up financial support such as during COVID-19.

**RECOMMENDATION 3 —**

**Make our Tariff Regime Effective:**

Canada should extend its Section 53 tariffs to cover all steel imports from China and sanctioned countries under the Country of Melt tool and cover derivatives steel-containing goods.

**RECOMMENDATION 4 —**

**Fund our First Lines of Defence:**

The Canadian Border Service Agency requires appropriate level of funding to protect the Canadian market from unfair trade practices and overcapacity coming from around the world, but mainly from China. Monitoring, investigations, and enforcement of trade measures need adequate resources, both financial and human. Assuring permanent funding to the recently established MarketWatch Unit should be part of these considerations.

**RECOMMENDATION 5 —**

**Modernize Our Toolkit:**

Amend the Anti-Circumvention legislation by aligning on the US system, presumptively treat proscribed countries as non-market economy, and reinstate the requirement for individual export permits for steel products under the Export and Import Permit Act, and amend Section 53 of the Custom Tariff Act by including labour national security, and environmental concerns in the justification for using Section 53.

## Mitigating Carbon Cost Pressures on Canadian Steel

Canada's steel sector remains committed to the production of green, low-carbon-intensive steel. However, rising carbon costs—higher than those faced by regional and global competitors—pose a growing threat to the sector's competitiveness, with limited scalable solutions available to offset these costs.

In late 2024, the [Commission on Carbon Competitiveness](#) released two reports containing key findings and recommendations aimed at helping Canadian industries remain competitive while reducing emissions. Unlike other high-emission sectors, the Commission articulates that steel operates with lower margins, making it particularly vulnerable to financial pressures from stringent climate policies. The Commission emphasized the need for policies that support industrial decarbonization while preventing carbon leakage.

Building on these recommendations, the CSPA acknowledges the significant cost pressures imposed by the Government of Canada's output-based pricing system (OBPS). Moreover, the system's limited long-term certainty, with regulations currently extending only to 2030, creates investment risks, while ongoing political discourse pertaining to industrial carbon pricing adds further uncertainty. Further, the CSPA questions the prudence of continued carbon price increases amid escalating trade tensions with Canada's largest trading partner, arguing that a more balanced approach is needed to advance both economic and environmental objectives.

***To address the financial impact of carbon costs on Canadian steel while ensuring industry competitiveness, the CSPA recommends the following targeted measures:***

### **RECOMMENDATION 6 —**

#### **Immediate Freeze on Industrial Carbon Costs and Stringency for the Steel Sector:**

The Government of Canada should impose an immediate freeze on industrial carbon costs and stringency factors affecting Canada's steel sector under the OBPS until 2040. Additionally, the Government of Canada should collaborate with provincial governments, particularly Ontario, to ensure that provincial carbon pricing frameworks have the flexibility needed to support the steel industry. Furthermore, an immediate, comprehensive review of domestic industrial carbon pricing should be conducted in light of the ongoing trade tensions with the U.S.

### **RECOMMENDATION 7 —**

#### **Buy Canada:**

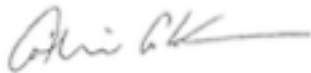
To strengthen domestic demand for Canadian steel, the Government of Canada must prioritize domestic steel in public infrastructure projects and restrict market access for companies from countries that do not offer reciprocal trade access. The CSPA urges the government to advance the *Greening Government Initiative* and swiftly implement reciprocal procurement, closing federal contracts to nations without free trade agreements with Canada. This will limit imports of carbon-intensive steel from countries like China, India, and Russia while promoting Canada's greener steel.

Canada's steel industry is a critical pillar of the national economy, providing essential materials for key industries and supporting thousands of jobs across the country and North America. However, the sector faces mounting challenges from unfair trade practices, escalating carbon costs, and policy uncertainties.

In response, the Government of Canada must take decisive action to defend the sector through strong trade enforcement measures, financial support mechanisms, and carbon cost mitigation strategies. By implementing these recommendations, Canada can protect its steel sector's competitiveness, ensuring it remains a leader in both economic prosperity and environmental responsibility.

The CSPA remains committed to working alongside the government and industry partners to secure a sustainable future for Canadian steel.

Sincerely,



**Catherine Cobden**

*President & CEO*

*Canadian Steel Producers Association*