

February 19, 2021

The Honourable Chrystia Freeland
Minister of Finance

The Honourable Mona Fortier
Minister of Middle Class Prosperity and Associate Minister of Finance

Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

SUBMITTED BY EMAIL

Dear Ministers:

RE: PRE-BUDGET CONSULTATION 2021

The Canadian Steel Producers Association (CSPA) is pleased to submit this brief outlining our members' thoughts and suggestions on Canada's recovery as you prepare the Federal Budget 2021. Supporting the quick and safe return of the economy to pre-COVID levels will be crucial coming out of this long pandemic.

While CSPA members remain grateful for the expedited creation and delivery of the *Canada Emergency Wage Subsidy* program, we believe it is time to turn our attention to creating the imperatives to support our members sound and sustainable return to business. Given the strategic importance that Canada's steel sector plays in the Canadian economy, we believe our recommendations to be imperative to supporting Canada's long term economic health and overall prosperity.

The unsteady economic recovery that Canadian steel producers have experienced over the course of these last difficult months has been unpredictable and uneven. In some products, capacity has been drastically reduced due to decreased demand – such as from our energy markets – resulting in difficult layoffs and production curtailments. For other products, demand has returned but remains highly unpredictable and subjected to ebbs and flows as the pandemic continues its long and challenging course.

At the same time as we have retooled our businesses to continue to operate as an essential industry throughout the pandemic, we have faced increasing levels of market distorting trade practices and product dumping. Unfairly traded steel continues to hurt Canadian jobs and threatens to eliminate the use of Canadian steel in the domestic market. We are deeply concerned that while we were adjusting our production levels to meet NA market demand, other jurisdictions, notably China and Turkey, continued to add further excess capacity to further distort global steel trade.

As the country grapples with economic recovery, the CSPA and its members also believe there are opportunities to support Canadian steel producers by enhancing our competitiveness and lowering

carbon emissions. With the release of our Net Zero climate vision last year, we remain a ready and willing partner for Canada's long term low carbon economic transformation.

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

1. PROTECTING AND IMPROVING CANADA'S DOMESTIC STEEL MARKET

The need for a strong domestic market for steel in the face of uncertain global dynamics has never been greater. Even though global steel demand has decreased significantly because of the COVID-19 pandemic, the OECD Steel Committee documents that certain major steel-producing nations have increased their production over this period to an unprecedented level resulting in global overcapacity of steel that could reach up to 700 million tonnes.

This overcapacity is a clear threat to our domestic industry. Unfairly dumped and subsidized products entering Canada results in dire economic consequences for our producers and their employees. Currently foreign steel imports have increased to 59% of Canada's steel market this year. As many countries take trade actions to limit foreign access to their domestic marketplace, Canada's market remains highly vulnerable.

Without a strengthened and more timely trade remedy system, unfair imports threaten to negate the benefits the industry has received from the Federal Government's COVID support programs and will compromise Canadian steel producers' participation in the anticipated recovery. As you are aware, CSPA members along with the United Steel Workers Union and others have been engaged with your Department as part of the Government-Industry-Labour Working Group to identify priority changes to Canada's Trade Remedy system. As the government contemplates measures to support Canada's economic recovery, we urge the government to adopt and implement the industry's recommendations as quickly as possible to take immediate steps to further strengthen Canada's trade remedy system. The full implementation of these recommendations is imperative to strengthening Canada's trade remedy system in today's rapidly evolving global trading context. Some of these recommendations address better enforcement of *Special Import Measures Act* (SIMA) findings, other recommendations improve anti-circumvention and deal with issues such as massive importation. In addition, the CSPA and its members are looking for substantive changes to steel import data collection and reporting, similar to measures being taken in the US (i.e. melted and poured designation).

The US has made significant improvements to its monitoring systems for steel including the new provisions on melted and poured. Given the strong integration of Canadian and American steel markets, it is crucial that Canada's system not get left behind. Hence the CSPA urges the government to work to align our trade monitoring systems as much as possible with our largest trading partner.

RECOMMENDATION 1: That the Government adopt and implement the Canadian steel producers' regulatory, legislative and policy recommendations as presented in the Government-Industry-Labour Working Group as quickly as possible to take immediate steps to further strengthen Canada's trade remedy system.

RECOMMENDATION 2: That the Government increase resources for enforcement including improved importer verification, enhanced audits, and administrative monetary penalty system. These changes will capture more non-complying importers and those who evade payment of duties under the *Special Import Measures Act* (SIMA).

RECOMMENDATION 3: That the Government commit resources to strengthen and expand import data to improve the effectiveness of Canada’s steel import permits regime. This should include requiring additional information such as product quantity, type, and origin to improve transparency. A new framework and additional resources would result in a more robust import regime for Canada that would more closely align with our North American partners.

An important objective of our country in recovering from the pandemic is the question of how to “build back better”. The CSPA believes that there is a strong opportunity to achieve this objective while also supporting long term sustainability of our industry and our workforce. As demonstrated by the recent studies by Blue-Green Canada and the US’s *Global Efficiency Intelligence* work on global steel greenhouse gas emissions, Canadian producers make some of the lowest carbon dioxide intensive steel in the world (see appendix). This fact, combined with reduced transportation emissions, suggests that we have a lot to be gained by supporting the use of domestic steel in Canadian infrastructure projects.

Infrastructure spending is a useful tool in economic recovery, but Canada would gain economic, social and green advantages should stipulations be put in place by the Government that incentivize the use of our greener Canadian steels in Canada’s investments.

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

2. SUPPORTING INVESTMENTS IN GREENHOUSE GAS REDUCTIONS AND IN COMPETITIVENESS

The production of steel is a carbon intensive process. Since 1990, the Canadian steel industry has voluntarily invested to reduce its energy and carbon footprint, achieving a 17% reduction in absolute greenhouse gas emissions (GHG) emissions by 2018.

In March 2020, the Canadian steel industry put forward a [new climate vision for the sector](#) aimed at achieving net zero carbon dioxide emissions by 2050. The exciting long-term plan outlines a significant opportunity for the industry through collaboration with partners including Government, academia, customers, and the supply chain, to reduce emissions and find new solutions that will ensure low carbon steel is made in Canada for generations to come.

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

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

The federal carbon programs have thus far considered the competitiveness of Emission Intensive Trade Exposed (EITE) sectors. However, in the face of an escalating carbon price, this imperative has become even more urgent. For the steel sector, with limited commercially available technology solutions to reduce carbon, this is critical as time will be needed to make the structural changes demanded by a future net zero economy. Moving forward as current regulatory metrics are reviewed and new tools are explored, it is imperative that protecting the EITE sectors and ensuring the time needed for their abatement remain central tenets of our carbon plan to ensure a smooth and effective transition.

RECOMMENDATION 6: That regulatory reviews of the OBPS and the adoption of future climate tools continue to consider the competitiveness implications on EITE sectors, and to recognize the time needed for hard-to-abate sectors to transform to the net zero economy.

Furthermore, the steel sector has the potential to invest in projects that would make a significant contribution to Canada’s GHG reduction target, well beyond that of many other sectors. The Net Zero Accelerator Fund announced in the *Healthy Environment, Healthy Economy* plan in December 2020 is welcomed by CSPA members. To ensure sustainable and sufficient support for hard-to-abate sectors, we would further propose that revenues collected under carbon pricing programs or other relevant carbon instruments should be recycled back to sectors with the most significant gains to be made towards Canada’s GHG reduction targets.

RECOMMENDATION 7: That the Government of Canada direct revenues collected under carbon pricing programs back to hard-to-abate sectors to further efforts to transition to a low carbon economy.

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

RECOMMENDATION 8: That the Government recapitalize the Strategic Innovation Fund to enable investment in the steel sector to enhance competitiveness, and productivity.

3. ENHANCING INNOVATION IN LOW CARBON STEEL

The commercial options for Canadian steel companies to reduce emissions are limited and not widely applicable. To address this technological gap, the Canadian steel industry is leading research into several

promising technologies and has mapped out a low carbon research agenda aimed at new processes that support our net zero goal and can be helpful to a range of emissions intensive sectors.

However, to achieve CSPA's net zero goal by 2050, the development of innovative and green technologies is crucial and must be accelerated. Furthermore, the scale and investment needed to develop and adopt these technologies, however, dictate that the sector cannot do it alone. Government must be a strong partner alongside industry to overcome the significant technological and business risks associated with this transformation.

RECOMMENDATION 9: That the Government of Canada provide increased financial support for research and development into advanced low carbon technologies for steel and other emissions intensive sectors.

ABOUT THE CANADIAN STEEL PRODUCERS ASSOCIATION

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

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

We wish you much success in the preparation of this most important budget. Please don't hesitate to contact me if you require additional information.

Sincerely,



Catherine Cobden
President
Canadian Steel Producers Association

APPENDIX

Benchmarking information from the 2019 Global Efficiency Intelligence report “How Clean is the U.S. Steel Industry? An International Benchmarking of Energy and CO₂ Intensities” (see page 3).

<https://www.globalefficiencyintel.com/us-steel-industry-benchmarking-energy-co2-intensities>

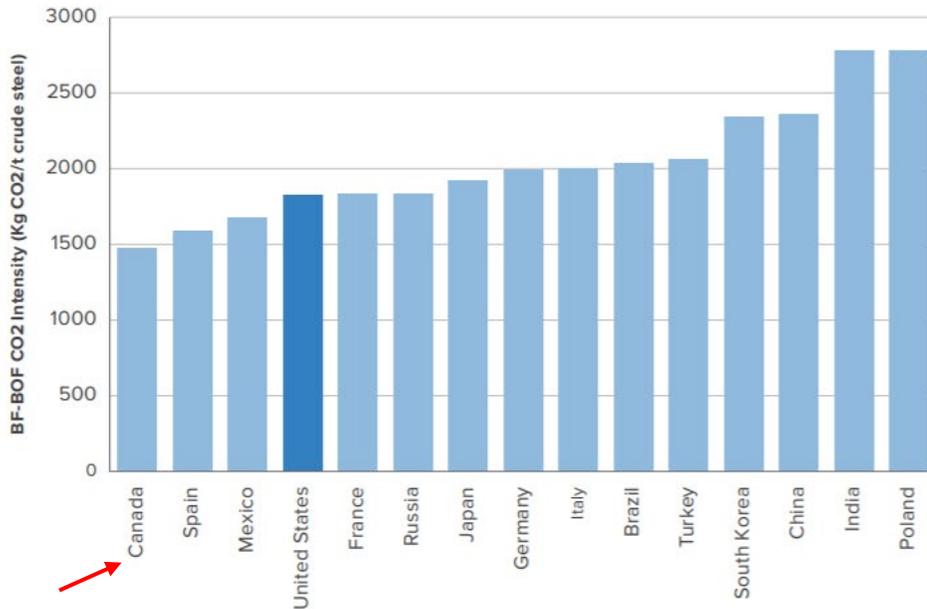


Figure ES1. The CO₂ intensity of BF-BOF steel production in the studied countries in 2016

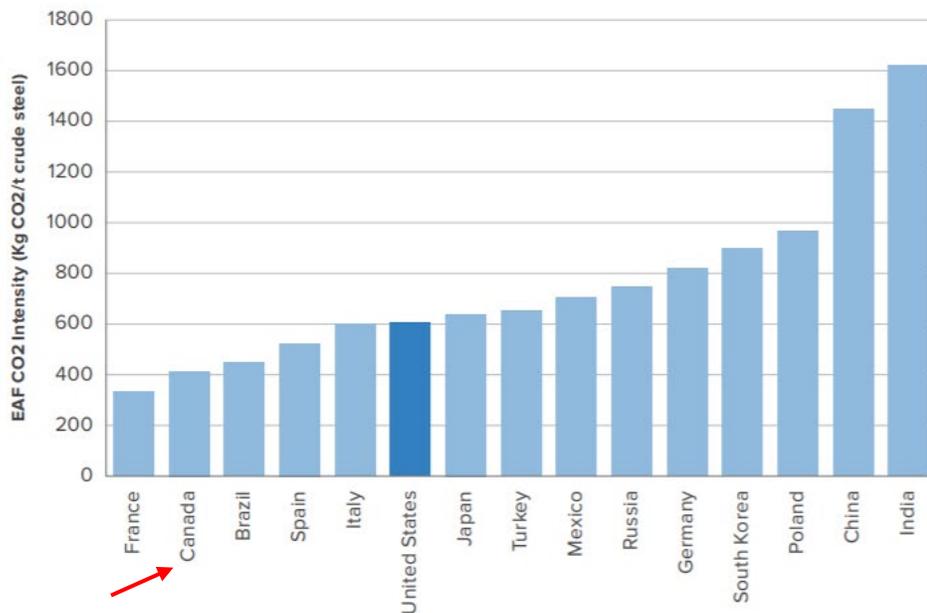


Figure ES2. The CO₂ intensity of EAF steel production in the studied countries in 2016