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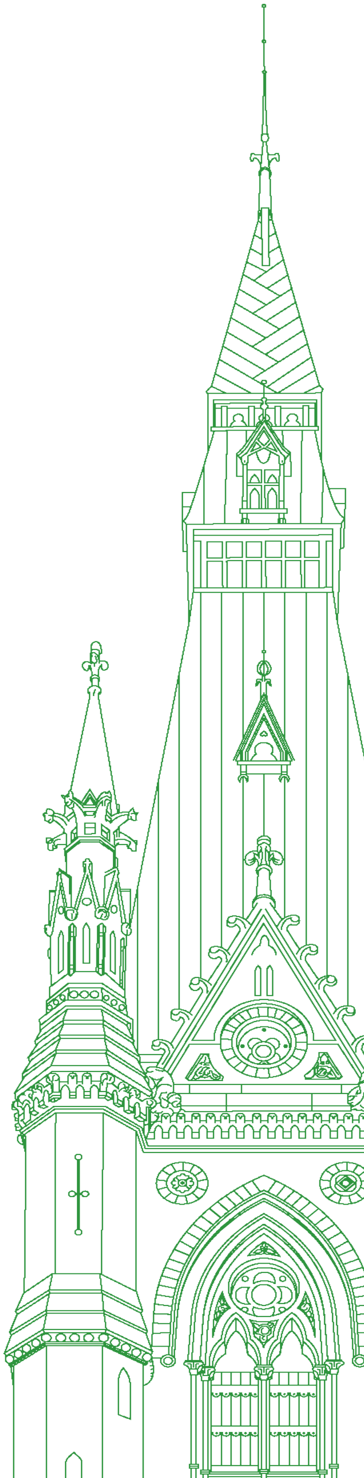

Chair: The Honourable Judy A. Sgro

Standing Committee on International Trade

Tuesday, November 15, 2022

• (1100)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call this meeting to order.

Welcome to meeting number 36 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. Therefore, members are attending in person in the room and remotely using the Zoom application.

I would like to make a few comments for the benefit of 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 screen, of floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

I remind you that 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, and we appreciate your patience and understanding in this regard.

Please also note that during the meeting it is not permitted to take pictures in the room or screenshots on Zoom.

In accordance with our committee's routine motion concerning connection tests for witnesses appearing by video conference, I need to inform the committee that all witnesses have completed the required connection tests 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 in order to ensure that all our members have access to translation.

Welcome to our witnesses today and to all our colleagues. It's nice to see everybody back at the table rather than on Zoom.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, September 20, 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 Aluminium Association of Canada, Jean Simard, president and chief executive officer; from Canada's Building Trades Unions, Sean Strickland, executive director; from the Canadian Chamber of Commerce, David Billedeau, senior director, natural resources, environment and sustainability, by video conference; from Electric Mobility Canada, Daniel Breton, president and chief executive officer; and from Global Automakers of Canada, David Adams, president and chief executive officer.

Again, welcome. Thank you so much for sharing your time with the committee today.

We will start with opening remarks and then proceed with rounds of questions.

Mr. Simard, I invite you to make an opening statement of up to five minutes, please.

• (1105)

Mr. Jean Simard (President and Chief Executive Officer, Aluminium Association of Canada): Honourable members, Madam Chair, thank you for inviting us as a witness on the IRA.

IRA is full of opportunities for Canada as it onshores demand from within USMCA: solar power, nuclear power, advanced manufacturing, home energy supply improvement, home energy efficiency upgrades, EV incentives and U.S. postal service electrification. There is nearly $400 billion U.S. in new and accelerated market opportunities for a primary metal producer like Canada, which exports 90% of its world-class production to the U.S.

As North America moves from onshoring to friend-shoring in its value chains restructuring, from critical elements and materials to strategic suppliers base, Canada stands in a class of its own.

We have the critical materials, including aluminum, to enable the green shift in the U.S. economy. We have both the human and carbon footprints to meet best-of-class criteria, including the democracy criteria, as shown in the slide with our brief that was produced from data developed by the Economist Intelligence Unit. When aligning aluminum-producing countries along with their carbon intensity, supply chain surety and democracy score, we stand above the pack with Iceland, Norway and Australia.

As shown in the second slide, authoritarian regimes represent 78% of the total production in the world. Coupled with carbon considerations, it makes the addressable supply for buyers increasingly limited, thus highlighting Canada's unique combination of qualities.

However, in order to reap the rewards of these developing opportunities, we will need to accelerate existing assets modernization. Our governments, both federal and provincial, should seize the moment to leapfrog into the future by setting forth an enabling fiscal environment to incentivize massive industrial modernization.

As we shared with the House Standing Committee on Finance, the staying power required to remain in the forefront of the best-of-class will come through increased competitiveness in a fast-changing global industry. Government must look over and beyond traditional loan programs and grant access to some existing fiscal provisions, such as accelerated depreciation of capital expenditures, while revamping existing trade-compliant programs.

At last, this is not a race to the bottom; it's a race to the top and towards the future. Let's rise to the occasion.

Thank you.

The Chair: Thank you very much, Mr. Simard.

We'll go on to Mr. Strickland, please, for five minutes.

Mr. Sean Strickland (Executive Director, Canada's Building Trades Unions): Thank you very much, Madam Chair and members of the committee. Thank you for the opportunity to address the committee on the potential trade impacts of the United States Inflation Reduction Act on workers in Canada.

My name is Sean Strickland and I'm the executive director of Canada's Building Trades Unions, part of North America's Building Trades Unions. We represent 14 international construction unions, with offices in Washington, D.C. and Ottawa. The combined membership of NABTU and CBTU includes over three million unionized construction workers, of which 600,000 are in Canada.

The international unions that make up the building trades have a long history of working closely on issues that affect members on both sides of the border. In partnership with our employers, we operate over 1,900 apprenticeship programs and annually invest almost $2 billion in training programs, producing the best, safest and most highly trained skilled trades workers anywhere in the world. We advocate for good union jobs that pay family-sustaining wages and offer benefits and a pension to ensure that folks can retire in dignity.

As you know, the recently passed Inflation Reduction Act includes over $300 billion in energy tax incentives for clean energy infrastructure. This is an international game-changer that incentivizes businesses to create union jobs and to hire apprentices, because it offers expanded tax credits. Up until the IRA was passed, Canada was leading the charge on the transition to net zero using existing subsidies for carbon to make investments and technological advancements in renewables, but with the passing of the IRA, the U.S. is clearly in the driver's seat. What happens next will set up the Canadian economy for the next several decades, which is why we need to respond vigorously, intelligently and quickly.

I am very much aware that the department has briefed you very thoroughly on all of the elements contained within the IRA, things like the nuclear power credit, for example. The credits are increased to five times as much if the taxpayer meets prevailing wage requirements. In the case of the clean electricity investment credit, it is also increased to five times as much if prevailing wage and apprenticeship requirements are met. The hydrogen production credit will be increased 500% if certain prevailing wage, apprenticeship and other requirements are satisfied. The same is true for the energy-efficient commercial buildings deduction and the carbon capture and sequestration credit.

On the electric vehicle front, you will hear from some of the witnesses today on the changes there and on how those may impact the production of Canadian electric vehicles.

The Inflation Reduction Act also establishes “make it in America” provisions for the use of American-made equipment for clean energy production, something we have to pay close attention to.

What the U.S. has effectively done is to position itself to be a very attractive market for investments in clean energy infrastructure. Incentives make it attractive to private equity while at the same time improving the lives of American citizens by ensuring that union wages are being paid and that more people have opportunities to start an apprenticeship in the skilled trades.

It's the view of the Canada's Building Trades Unions that we need to look very closely at these incentives and respond in kind, but respond in ways that are smart and recognize our competitive advantage. I think it would be very difficult for us to respond line by line to all of the incentives contained in the Inflation Reduction Act, but are there areas in which we can exercise and amplify our competitive advantage—in mining, for example, or hydrogen production or carbon sequestration, which is already happening? There are lots of examples of where we already have a competitive advantage. Small modular reactors and lots of projects are in development in Canada right now. How do we use incentives and create a regime in which we can compete and respond to the Inflation Reduction Act but respond smartly?

As my colleague here said earlier, it's not a race to the bottom, so we need to be smart about it and also exercise the competitive advantage we have in our labour force. We have good skilled trades workers right across Canada. We need to continue investing in recruiting and training. We also need to attract more people to the skilled trades in Canada. Making changes to the immigration streams and easing cross-border mobility, for example, are some ways in which we can respond to the increased demand for trades right across the country.

One of the biggest challenges we're going to have as we go through just transition is that, according to some reports, Canada could lose up to 450,000 jobs in the oil and gas sector between now and 2050, so how are we going to replace those jobs with the new energy jobs of the future? This is a very important question, and how we respond to the Inflation Reduction Act is a big part of the answer to that question. We have to make sure we don't leave any workers behind, so when we transition out of oil and gas, we need to replace the jobs of those workers with good, union-paying jobs in the new energy sources of the future—hydrogen, carbon sequestration, small modular reactors, traditional nuclear, etc.

● (1110)

Also, if we're going to offer attractive incentives so that the private sector remains competitive on this front, Canadians should expect that these generous subsidies are tied to the creation of good middle-class jobs to provide family-sustaining wages, health and welfare benefits and pensions. The amounts of tax incentives and credits that we are considering in response to the Inflation Reduction Act are in the tens of billions of dollars. I think the Canadian public would expect—and I would hope that parliamentarians would expect—that any of those kinds of incentives would be tied to the creation of good, sustaining jobs.

On behalf of the over three million skilled trades professionals who belong to North America's Building Trades Unions, and our 14 affiliated international unions and the 60 trades we represent, I want to thank the committee for this opportunity to present. I look forward to any questions you may have.

Thank you, Madam Chair.

● (1115)

The Chair: Thank you very much, Mr. Strickland.

Next is Mr. Billedeau for five minutes, please.

Mr. David Billedeau (Senior Director, Natural Resources, Environment and Sustainability, Canadian Chamber of Commerce): Madam Chair and honourable members, thank you for the opportunity to attend today's discussion on behalf of the Canadian Chamber of Commerce.

While the Inflation Reduction Act of 2022 presents opportunities for Canadian businesses, we must also recognize challenges facing Canada's private sector. To that end, I'll tailor my remarks today to focus on automotive manufacturing, critical minerals, clean tech and labour.

With respect to automotive manufacturing, the act introduces and extends EV tax credits. Notably, eligibility for these credits ultimately requires EV batteries to be 100% made in North America by 2029. This creates considerable opportunities for Canada's natural resources and manufacturing sectors. However, given the protracted timelines that build upstream and midstream mining infrastructure, as well as the lead times to modify automotive supply chains, it will be difficult for automotive manufacturing firms operating in Ontario to meet credit eligibility requirements in the near term.

This brings us to critical minerals. Global demand for certain minerals is expected to increase by up to 600% by 2040. This presents a rare opportunity for Canada, and the chamber believes that Canada can serve North American and global demand for minerals required for electric vehicles and clean technologies. To match domestic mineral production and processing with increasing demand, it's vital to focus attention on facilitating resource development in Canada, where it takes an average of 15 years to move mining projects from discovery to first production. These lead times will impact Canada's decarbonization efforts while limiting opportunities to develop new and existing mining and manufacturing facilities across Canada.

On the topic of clean technologies, the Inflation Reduction Act contains supports for domestically produced alternative fuels, such as hydrogen and biogas, as well as clean technologies like CCUS. Further, the act contains credit multipliers for products meeting domestic content and local human resources thresholds. Such incentives will make it difficult for Canadian clean-tech firms to compete in the U.S. market.

While Canada's recent fall economic statement has provided investment tax credits for clean technologies, Canada must take further measures to secure a level playing field and to secure opportunities for Canadian workers.

Lastly, we have a few comments on labour availability.

A study conducted by the BlueGreen Alliance indicates that the Inflation Reduction Act will create over nine million climate tech jobs in the United States by 2032, largely in STEM fields. The skyrocketing demand for labour in the United States will place pressure on Canada's ability to attract and retain skilled workers to drive its own green economy. This is concerning, as the competition for talent is already a major pain point here in Canada, with around one-third of Canadian businesses experiencing labour difficulties.

With these factors in mind, I would like to table the following recommendations for your consideration.

First, to further develop our mining, clean technologies and advanced manufacturing sectors, Canada must be able to compete for major capital investments. This requires securing venture capital for early-stage mining projects; accelerating the implementation period of the strategic innovation fund; expanding fund allocation for critical minerals; and ensuring that incentives within the Inflation Reduction Act do not serve as non-tariff barriers to Canadian businesses.

Second, to reduce mining project lead times, the Government of Canada must work with a broad spectrum of stakeholders to responsibly expedite development and permitting timelines.

Third, Canada needs a green job strategy that brings together all levels of government, as well as private sector stakeholders and secondary and post-secondary institutions across the country, to develop the domestic capacity and skilled workers needed to drive our economy and build the projects that will get us to net zero.

In closing, the Canadian chamber encourages the committee to carefully examine the regional economic implications of the Inflation Reduction Act while also looking towards the boundless potential for Canada to drive global transitions to net zero.

Thanks again for your time and consideration. I look forward to your questions.

The Chair: Thank you, Mr. Billedeau.

We will now go to Mr. Breton for five minutes, please.

[*Translation*]

Mr. Daniel Breton (President and Chief Executive Officer, Electric Mobility Canada): Thank you, Madam Chair.

I'd like to thank the members of the Standing Committee on International Trade for taking the time to listen to what we have to say about the United States Inflation Reduction Act of 2022.

My name is Daniel Breton and I am the president and chief executive officer of Electric Mobility Canada, an association that has over 150 members.

These members include manufacturers of light, medium, heavy and off-road vehicles, suppliers of electricity and charging infrastructures, mining companies, technological corporations, research centres, cities, universities, vehicle fleet managers, unions and environmental NGOs. In short, we are the national voice of transportation electrification.

● (1120)

[*English*]

According to a report published by the International Energy Agency in August 2022, approximately 50% of the energy jobs in the world, in 2019, were in clean energy, which includes clean transportation. Even in North America, where there is an important fossil fuel industry, clean jobs represented almost 50% three years ago, before the big push for the EV industry in Canada led by federal and provincial governments.

In the past six months, the Government of Canada has secured more than $15 billion of investment and tens of thousands of jobs in Canada's electric vehicle ecosystem. Canada is now developing an innovative electric mobility industry—from mining to assembly, infrastructure, education, electricity production and distribution—and more needs to be done, as this is the fastest-growing industry in the world.

Now let's talk about the Inflation Reduction Act. When we delve into section 45X, the advanced manufacturing production credit, we find that if a manufacturer wants to manufacture batteries for electric vehicles, they can get $45 per kilowatt hour for every battery over seven kilowatt hours.

To quote David Booth, “If that doesn’t sound like very much money, then it’s probably worth reminding you that US$45/kWh represents about one-third of the total cost of manufacturing an automotive battery, the most expensive component...in an EV. More to the point, the average EV sold in North America has about 80 [kilowatt hours].” If you look at that, it means that you can get an additional rebate for manufacturing the vehicle of between $3,500 and $6,000: “And remember, that's money directly in the automaker's pocket.... On a grander scale, that 30-gigawatt-hour plant could net BMW some US$1.35 billion. And that’s not a one-time payment. That’s annually, as in every year ’til the end of 2032.”

I want to remind everyone that in 2021, President Biden and Prime Minister Trudeau “agreed to work together to build the necessary supply chains to make Canada and the United States global leaders in all aspects of battery development and production. To that end, the leaders agreed to strengthen the Canada-U.S. Critical Minerals Action Plan to target a net-zero industrial transformation, batteries for zero-emissions vehicles, and renewable energy storage.”

To go back to battery manufacturing, we're not talking about batteries being manufactured in the U.S., Canada or Mexico—just in the U.S. To get that incentive of $45 per kilowatt hour, it has to be built in the U.S.

A few weeks ago, the federal government published its policy regarding foreign investments from state-owned enterprises in critical minerals under the Investment Canada Act. The policy said, “The Critical Minerals List was announced on March 11, 2021, and includes 31 minerals considered critical for the sustainable economic success of Canada and our allies—minerals that can be produced in Canada [and] are essential to domestic industry and security”.

On November 2, the federal government ordered three companies to divest from Canadian mining interests since these investments could “threaten our national security and our critical minerals supply chains, both at home and abroad”.

On November 12, a few days ago, Bloomberg New Energy Finance published its battery supply chain ranking, which saw:

> Canada rise to the second spot this year [after China], which reflects its large raw material resources and mining activity, as well as its good positioning in environmental, social and governance factors...and infrastructure, innovation, and industry. A lack of significant cell and component manufacturing capacity means that most of the value of these resources is realized outside of the country, although recent announcements from the likes of BASF, General Motors and Posco show an increase in battery investments.

Considering this, the fact that many of the critical minerals needed for EV batteries, propulsion systems, renewable energy and the military are in Canada, what can we do to ensure that Canadians take advantage of our strategic position and do not end up being, once again, just a simple supplier of natural resources to another country, in this case the U.S.? Does the AMPC constitute a violation of the CUSMA accord?

● (1125)

[*Translation*]

Canada has the critical and strategic minerals, the entrepreneurs, the skilled workers, the research and development capacity, the universities, the clean energy, and, now, the political will. We need to ensure that these workers and future workers can make the transition by guaranteeing them a future in the electric vehicle, and electric vehicle components, manufacturing industry. It is therefore important for the United States Inflation Reduction Act of 2022 to remain compatible with what we want to do.

To conclude, we don't want the United States to be our competitor. We want to partner with the United States, but the 2022 act is problematic for the manufacturing of electric vehicles and electric vehicle components, and batteries in particular.

[*English*]

The Chair: Thank you very much, Mr. Breton.

Next is Mr. Adams, please, for five minutes.

Mr. David Adams (President and Chief Executive Officer, Global Automakers of Canada): Thank you, Madam Chair and members of the committee, for the opportunity to speak to you today on behalf of the 15 members of the Global Automakers of Canada.

Our manufacturing members Honda and Toyota represent 55% of Canadian light duty vehicle production through September 2022, while all members, as the exclusive Canadian distributors of some of the world's largest global automakers, were responsible for 62% of Canadian sales in 2021.

I appreciate the opportunity to add my comments to the comments of those who have already appeared before the committee with respect to the impact the U.S. Inflation Reduction Act potentially could have on the automotive industry in Canada.

Canada's automotive manufacturing sector is at a crossroads. We can compete and win against the best in the world, but as others have noticed, the United States has introduced some truly massive subsidies in the Inflation Reduction Act that will pull manufacturing's clean-tech investment away from Canada.

The clean technology manufacturing credit, known as “45X” under the IRA, could amount to as much $3,600 to $6,300 per vehicle battery, as you've already heard, a spectacularly large subsidy that goes directly to the battery manufacturer. The Government of Canada urgently needs to match or exceed the subsidy in order to avoid all battery production investment being diverted or relocated to the United States.

The second critical challenge is the advanced energy project credit, known as “48C”, which offers a tax credit of up to 30% on investments into the production facilities across a wide range of clean energy technologies, including facilities that produce components of electric vehicles. This vastly exceeds the investment credits offered by Canada. Again, it is critical that the government look at whether we can match or exceed these credits.

On the incentive side, we're pleased that the IRA provides certainty that Canadian electric vehicles will qualify for the $7,500 U.S. EV incentive, provided North American critical minerals provisions are met and battery components are manufactured and assembled in North America. However, these North American restrictions mean, at least in the short term, that far fewer models—only 25 of 70 EV models—will qualify for the EV incentives in the United States, owing to the fact that the mining of critical minerals and North American battery production are both in their nascent development stages.

Purchase incentives, whether in Canada or the United States, remain important drivers of EV adoption and, as such, these complicated restrictions on EV incentives are likely to slow EV adoption in the United States, potentially slowing the sale of EVs built in Canada and destined for the United States, given that 85% of our vehicle production ends up in the United States.

We are recommending that Canada double the federal EV incentive to match what is being offered in the U.S., but without imposing the restrictions that the IRA has included. Quite simply, EV mandates in Canada are so aggressive that our only hope of achieving them is with generous incentives to encourage consumer adoption.

Looking at the big picture, the U.S. is pursuing an aggressive industrial policy to maximize employment and investment in the auto sector and is willing to spend large amounts in order to do so: $20 billion in loans to build clean vehicle manufacturing facilities; $30 billion in production tax credits to, among other things, accelerate critical minerals processing and batteries; and $2 billion in grants to retool existing automotive facilities to manufacture clean vehicles.

We were encouraged to see in the fall economic statement that our government is promising a robust response to this challenge. We are urging the government to go well beyond the launch of the Canada growth fund and forthcoming investments in Canada's advanced manufacturing competitiveness.

Canada cannot let this generational reinvestment in the automotive industry pass it by. We need urgent action by the government to provide a level playing field and to protect Canadian workers. In our pre-budget submission, we will be tabling detailed recommendations as to how the government can work to mitigate the investment drain into the United States arising from the provisions of the IRA.

Madam Chair and members, thank you for the time. I look forward to answering any questions you may have.

● (1130)

The Chair: Thank you very much, Mr. Adams.

We now have Mr. Carrie for six minutes, please.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Madam Chair.

I'm going to jump right in with Mr. Adams, because he did mention the urgency.

Mr. Adams, we had some of your colleagues here on November 1—Mr. Volpe, Mr. Poirier and Mr. Kingston, whom you know very well—and the consensus was that we needed an urgent response. My concern is that we had the fall economic statement, and I don't see the sense of urgency in the government's response.

You and your colleagues put out an automotive industry report card on the federal budget six months ago. The government has had six months to work on this. In the report card, you were talking about commitments to make a difference. I'm just wondering if you could update the committee on the fall economic statement.

It seems that Canada is always running behind in responding to the United States. Could you please comment on how we did with the fall economic statement in regard to things like the regulatory alignment with the United States; the commitment to building hydrogen fuelling infrastructure for fuel cell vehicles; eliminating the luxury tax; the commitment for building charging infrastructure in urban centres; and four million public charging stations?

How did the statement do in addressing the issues that you brought forth in your report card?

Mr. David Adams: Thanks very much for the question, Mr. Carrie.

What I'd like to start with in answering that question is going back to your comment about playing catch-up with the United States. We're running behind the United States. I think a core area of focus is that, as a nation, we need to do a much better job of continuing to build bridges and continuing to build dialogue with the U.S., so that we can have that truly North American approach to clean technology development.

I think what we've seen is that, too often, we've been caught in the crossfire of some of these, frankly, overtly protectionist moves by the United States to shore up their own industries and clean-tech industries.

With respect to the report card that we issued, there's certainly a long way to go. With everything in the space of developing our electric vehicle ecosystem in Canada, everything needs to be done yesterday, and this is with respect to charging infrastructure, through to the comments that Mr. Billedeau made about expediting our environmental assessment process and processes to get mining on track. There's a raft of things that need to be done as quickly as possible. I would characterize, overall, that more needs to be done in terms of the report card.

With respect to the fall economic statement, I would say that we appreciated the clean growth fund and the opportunity—at least that was enunciated several times in the fall economic statement—to put in place initiatives to do whatever Canada can to be competitive to ensure that the clean-tech drain does not to go the United States.

Mr. Colin Carrie: I'm extremely concerned. Mr. Poirier mentioned that there is a flight of capital to the U.S. We were told the fix is on the way and we have to craft a Canadian response, but it seems that we're always running behind. Instead of being proactive, we're being reactive.

I was wondering if you could comment on something that comes across repeatedly. At the end of the day, it's going to be consumers who need to buy these electric cars. In the press release you put out in March 2022, Mr. Reuss, who is with the dealers, said, “In order to do so, individual consumers will need to have the confidence that the products and the supporting infrastructure—including the ability to charge at home and work—meet their everyday needs”.

In the fall economic statement, can you point to anything that we could see to meet those charging needs and improve the grid? I believe we need four million of these charging stations. How are we doing with the response from the government in the fall economic statement with regard to charging?

• (1135)

Mr. David Adams: I can't point to anything in particular in the fall economic statement—although I haven't taken that close a look at it for the charging infrastructure—but I don't believe there was anything in that regard.

However, I will go back to the government's commitment in the budget to allocate $400 million to Natural Resources Canada and another $500 million to the Canada Infrastructure Bank to put in place 50,000 charging units. The concern is that, even with the initial amounts that have been afforded to Natural Resources Canada to put in around 35,000 pieces of charging infrastructure, our understanding is that to date, only about 2,500 to 3,000 of those charging stations have been turned on and are operational and functional. It's not only the speed in getting money out the door; it's the speed in getting the charging infrastructure put in place.

We can debate what the number is, but I think we can certainly say that 50,000 pieces of charging infrastructure across the country are not enough, and that the number is going to have to increase exponentially if we're going to be driving toward a situation where in 2035, 100% of all new vehicles are going to be zero-emission vehicles. It's even more critical as we move to 60% in 2030.

There's a lot of work that needs to be done to build out that infrastructure.

Mr. Colin Carrie: Thank you very much.

The Chair: I'm sorry, Mr. Carrie. You have 15 seconds left.

Mr. Arya, you have six minutes.

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

Mr. Sean Strickland, welcome to committee.

This Thursday, I will be visiting one of your facilities to make an announcement on the apprenticeship service program. Because the announcement has not been made, I will not comment on that now.

Mr. Breton, welcome back. It's nice seeing you again. During the last advocacy day, I didn't meet you, but I did meet two of your members.

Mr. David Billedeau, I will go to you on the thing you mentioned about the mining projects and the time required from conceptualization to the actual production of a mining project, which takes about seven years to 10-plus years. I want to pick your brains on the Ontario regional table that was recently announced. That's part of the nine regional tables announced by the federal government jointly with the provinces to work on the resources, timelines and regulatory approaches to develop critical mining, clean hydrogen, nuclear and sustainable forestry.

However, before that, we are glad that we are talking about the Inflation Reduction Act. In my view, in addition to this act, we should also concurrently look at the CHIPS Act of 2022. It is called the CHIPS and Science Act of 2022, which was passed by the United States. It is a $280-billion legislation.

The focus has always been on the chips production, but out of $280 billion, while $52 billion goes for the chip production, $200 million is going to regional technology centres to focus not just on the chips, but on the energy technologies, biotechnology, etc. In my view, that act is basically a new industrial policy statement of the U.S., and that will affect us if we don't focus on that too. My view is that we have to look at both the Inflation Reduction Act and the CHIPS and Science Act of 2022.

Canada is prosperous because of our trade. Trade accounts for 65% of our GDP. As we all know, the U.S. is our major trading partner, so our prosperity, standard of living, everything is dependent on the trade with the United States. That makes it very critical for us to look at things that are happening in the U.S. and to take measures.

Mr. Strickland, you mentioned two things that are very important. You said that we can't respond line by line, which is very true. We can't match dollar for dollar every dollar that the U.S. invests, but as you mentioned, we have to respond smartly. That is what Canada has been doing. In the last seven years, as a member of Parliament and as a member of this trade committee, I have seen that political parties, whether they are Liberals, Conservatives, NDP or Bloc Québécois, all work together when it comes to critical things on which we have to deal with the United States, like trade with the United States, which we saw in the last NAFTA negotiations.

There was a report just two days ago that the U.S. military is considering funding Canadian mining companies. That was a surprise. Why is the Pentagon investing in Canadian mining companies? Many Canadians are not aware that Canadian companies have been considered to be U.S. domestic companies for the different purchases by the U.S. Pentagon for a long time. In fact, the defence production sharing agreement that Canada has with the U.S. dates back to 1956. Now, under that, we are seeing the U.S. responding to the possible investment in critical minerals in Canada today, which is a good thing.

Before going to the Chamber of Commerce representative—Mr. Simard, I am glad you are here—I have some questions that are not directly related to that, but this is my first opportunity to talk to you.

The aluminum industry, as we know, is key. It is one of the critical minerals. However, what I have seen is that during the last 15 to 20 years, there was no increased production capacity in Canada. We have seen news announcements coming up in other parts of the world, including the Middle East. However, except for one small smelter, nothing new has come in. In fact, the production of aluminum in Canada from 2011 was slightly below three million tonnes. Now, in 2020, the numbers are higher, with slightly more than three million tonnes. Basically, we are stagnant in the capacity to produce aluminum. Maybe the reason is that out of the 10 aluminum smelters we have, nine are owned by Rio Tinto and Alcoa.

● (1140)

Does the foreign ownership of Canadian aluminum companies consider Canada just as a branch office to cater only to the United States because 90% of your production goes to the United States as exports, while we have signed a free trade agreement with the European Union and have the CPTPP with the Pacific nations?

Why are we not seeing aluminum production, installed capacity for aluminum production, going up so that we can use the cheap and clean Canadian power that is available to produce aluminum and to export to Europe and the Asia-Pacific countries?

The Chair: Mr. Arya, you have 23 seconds remaining in your time, sir, so I'm not quite sure how any of those witnesses are possibly going to [*Technical difficulty—Editor*].

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Madam Chair, there is no interpretation.

[*English*]

Mr. Jean Simard: China took over the planet's aluminum in the past 15 years. It went from 10% of the world's production to 56% of the world's total production. It's taken over the markets with subsidized metal.

Today, 76% of the world's aluminum production capacity is state-sponsored around the world. We have three world-class producers in Canada that are public companies, not state-owned and not subsidized as is the case in China. Over those 15 years, the U.S. has lost most of its production capacity and so has Europe.

In Canada, we've invested $15 billion in those same years to modernize our plants. That's the situation.

The Chair: Thank you very much for that great answer. You put the answer we thought you were going to give us into a very brief few seconds.

Now we'll go on to Monsieur Savard-Tremblay for six minutes, please.

[*Translation*]

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

I'd like to thank all the guests for being here. I want to ask them some questions, because after all, they are the guests. We are here to listen to what they have to say, and not the other way around.

Mr. Breton, In the economic statement released two weeks ago, it was implied that there would be compensation tied to this 2022 U.S. Inflation Reduction Act. Do you think there would be enough compensation, or should we try to get the Americans to amend the act?

● (1145)

Mr. Daniel Breton: If, as President Biden and the Prime Minister said in 2021, Canada and the United States truly want to be partners in the development of critical minerals and the battery industry, then it's impossible to say that electric vehicle batteries can only be manufactured in the United States in order to be entitled to tax credits.

It's a real problem. It's as if the Americans were saying that they wanted our critical minerals because they don't have any, but that the value-added products would be made in the U.S. That would simply repeat the business model of recent decades, or even centuries. According to this model, raw materials like wood, aluminum and oil came from Canada and Quebec, but the value-added products were manufactured elsewhere. After all, only a few months ago, 99% of lithium mined in Canada was going directly to China.

I was very pleased with the Canadian government's announcement that they would limit access to our critical minerals for national security reasons. I was talking about electric vehicles, but there is also the military sector and renewable energy. If we want to develop an industry, then we can't just dig holes and send what has been mined to other countries.

Mr. Simon-Pierre Savard-Tremblay: Exactly. It's important to think strategically about how to manage our resources. There are also many other crucially important sectors.

Let's do a comparison with the former Build Back Better bill, which contained an obviously litigious provision given more extensive coverage by the media than the current United States Inflation Reduction Act of 2022. The provision, which would have required companies to relocate their operations to benefit from a tax credit, was replaced by a North American clause. Only time will tell whether it will pass the free trade tribunals test, and I'm not convinced it will.

What should we be emphatic about in connection with the 2022 United States Inflation Reduction Act? What should our position be? If we have to ask the Americans to move so much as a comma in the wording of the act, what might that be?

Mr. Daniel Breton: Rather than require that batteries be made in the United States, it should instead call for all batteries to be made in North America under the Canada—United States—Mexico agreement, CUSMA. For the time being, limiting battery manufacturing to the United States is a real problem.

I would remind you that Mr. Adams represents automobile manufacturers. We also represent manufacturers of cars, but also trucks, off-road vehicles and even buses. In short, if all these people want access to the battery manufacturing subsidy for their light or heavy electric vehicles, Canada will not be competitive. It's a real problem.

Mr. Simon-Pierre Savard-Tremblay: What can you tell me about infrastructure?

Mr. Daniel Breton: As to infrastructure, I completely disagree with what was said earlier about charging infrastructure across Canada.

Quebec currently has 45% of the vehicles that need charging in Canada, by which I mean hybrid, rechargeable or 100% electric vehicles. There are 8,000 to 9,000 public charging stations, and all of them are public. It's worth noting that 80% to 90% of charging is done at home and doesn't require the use of public charging stations. Consequently, the requirement for four million public charging stations mentioned by Global Automakers of Canada and the Canadian Vehicle Manufacturers Association does not hold up.

In June 2022, there were approximately 150,000 electric vehicles in Quebec, and the government wanted this to increase to 1.6 million in 2030. If you multiply that by approximately 10, we're talking about 80,000 charging stations for Quebec. If you do the math for the entire Canadian market, then we're talking about 200,000 to 250,000 charging stations, all public of course, a figure that matches what Natural Resources Canada published barely a few weeks ago. According to the department, there will be a need for 50,000 public charging Stations in Canada in 2025 and approximately 200,000 in 2030. These figures are based on facts. Quebec and British Columbia are the two Canadian provinces where charging infrastructure is most robust and it's possible to travel anywhere in these provinces in electric vehicles.

Mr. Simon-Pierre Savard-Tremblay: Concretely, how might the proposal currently being examined by the U.S. Congress have an impact on all this?

Mr. Daniel Breton: Surprisingly, given what is being proposed for infrastructure deployment, Canada is ahead over the United States. What worries me much more is what's being proposed for the manufacturing of batteries for electric vehicles, because it would force the manufacturers to move to the United States to have access to the U.S. market, whether the manufacturers produce light vehicles or heavy vehicles, as does Lion Electric, for example.

Mr. Simon-Pierre Savard-Tremblay: On that note, thank you.

Mr. Daniel Breton: Thank you.

[*English*]

The Chair: Now we have Mr. Bachrach for six minutes, please.

● (1150)

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you very much, Madam Chair.

Thanks to all our witnesses for their presentations. This is a fascinating discussion. Perhaps I will start with Mr. Breton for my questions.

I think it was you who mentioned the $15 billion in battery-related investment in Canada in recent years, which is certainly positive news.

Mr. Daniel Breton: It's not for batteries; it's the whole supply chain.

Mr. Taylor Bachrach: Yet currently, to my knowledge, Canada doesn't have a concerted strategy around the zero-emission vehicle and battery supply chain. Is there a need for a Government of Canada strategy to lead that important work?

Mr. Daniel Breton: I think we need a full electric mobility strategy together with all of the departments. Ten years ago, when I was in government for the Government of Quebec, we had an inclusive battery electric mobility strategy going from infrastructure and research and development to vehicle manufacturing, education and training, because this is very important. We want to have workers who know what to do with electric cars.

Yes, this is needed. This is something that we've talked about for a number of years. We have some catching up to do, and not just to the U.S. I will just give you a number here, when we're talking about battery manufacturing or electric vehicle manufacturing, from Bloomberg New Energy Finance: “China currently hosts 75% of all battery cell manufacturing capacity and 90% of anode and electrolyte production.” We have years of catching up to do with China. They are far ahead of us.

I see that the Inflation Reduction Act is making a difference, but Canada has to catch up with the U.S. and China especially.

Mr. Taylor Bachrach: Just following up on that, we heard from Mr. Adams that, in his opinion, Canada should follow suit on the incentives but not the restrictions around domestic content. Do you share that view?

Mr. Daniel Breton: Absolutely not. When we're talking about restrictions, we're talking about the ZEV mandate, for instance. We've been advocating for a ZEV mandate. The Government of Canada has announced that it wants to adopt a ZEV mandate by the beginning of 2023, or something like that, because we need EV supply.

I can give you an example. Back in 2011, we gave money to Toyota to build electric vehicles in Ontario, the Toyota RAV4 EV: $70 million from the federal government and $70 million from the Ontario government. Because there was no regulation, no obligation for them to sell the EVs in Canada, and there was regulation in the U.S. to sell them, 100% of these EVs were sent to the U.S. because there was regulation over there.

Mr. Taylor Bachrach: I want to hop in with some questions for Mr. Strickland.

The inclusion of requirements around good union wages and apprenticeships is something that I think really sets the Inflation Reduction Act apart from the work that Canada has done already.

How much would it take? What would it take for Canada to emulate those aspects of the Inflation Reduction Act?

Mr. Sean Strickland: I think it would be fairly easy. Through regulation or through the process of applying for a tax credit, that application includes a commitment from the proponent that they are going to create well-paying union jobs and make a commitment to apprenticeship. I think it's pretty straightforward. I don't think it would require a lot.

I will also say, in terms of creating good union jobs and adopting prevailing wage strategies, this is good for all workers. It's good for union workers, but it's good for all workers. I think it's important to consider that these tax credits, subsidies, in exchange for the creation of good union jobs benefit all workers. We are going to do as much of that work as we possibly can, and it's going to benefit the entire industry.

Mr. Taylor Bachrach: Mr. Strickland, I read somewhere that the IRA really shows that the United States' approach to decarbonization is industrial strategy. I wonder, in your opinion, if we can say the same thing about Canada's approach to emissions reductions.

Mr. Sean Strickland: I think that, up until the Inflation Reduction Act, Canada was doing a very good job. Canada continues to do a very good job according to my daily business of talking to proponents of major infrastructure projects. You know that there are hydrogen projects in Newfoundland that are approaching a final investment decision and hydrogen projects in Alberta. We have LNG projects right across Canada. There's a lot of interest. There's EV production in Windsor, Ontario, and more EV battery plants are expected to come in Ontario.

I think we've been doing a really good job, but we need to take stock of our approach to all these incentives in light of the Inflation Reduction Act. I think it would be wise on behalf of government and parliamentarians to take a look at it and, as I said, be very strategic in responding and responding in ways that make sense, and amplify the competitive advantage that we already have in some of these sectors.

● (1155)

Mr. Taylor Bachrach: Thank you.

The Chair: Next is Mr. Baldinelli for five minutes.

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

Thank you to our witnesses for being here today.

Like my colleague earlier who led off the round, I'm going to discuss, probably with Mr. Adams and Mr. Billedeau, the questions with regard to how Canada responds.

A previous witness from our last hearing, Ms. Cobden from the Canadian Steel Producers Association, basically said that the IRA takes an enabling approach. During her question and answer period, she juxtaposed that with Canada's having more of a carrot-and-stick approach. You're seeing $390 billion that's been offered over a 10-year investment. It's just driving investment into the United States.

We have auto manufacturing facilities close by. Selfishly, we would like to see those facilities continue to exist and expand to meet those demands. When you see some of those production credits, those content requirements, to Mr. Billedeau's point, do we even have the ability to meet some of those demands?

When I look at one of these credits in the United States, it has to have a specified production limit for critical minerals. They're talking about going from 40% in 2023 to 50% in 2024, 60% in 2025, 70% in 2026 and 80% in 2027.

How does Canada even meet that demand? We can't get a mine built in 10 years. How are we going to be able to compete to draw those critical minerals so that we can get those production facilities? It's tough enough that the Americans are now offering production credits and multiplier effects. How does Canada compete?

Mr. Adams, you mentioned that you are going to be providing recommendations to the finance committee. Do you have some suggestions that you could provide for us now or at least share with us when you table those with the finance committee?

Mr. David Adams: Yes, we have to share those recommendations with you when we do present them to the finance committee.

You raise a critical point that really what's happening in the U.S.—and I think others on the panel would agree with me—is that—you're absolutely right—there is an industrial strategy that's being applied to address climate change and address greenhouse gas emissions reduction. We need the same approach here, our comprehensive approach. One of the things we need to leverage is private investment in this effort as well. Government is not going to be able to do this all by itself, so we need to find creative ways to leverage private investment to assist in making this happen.

Maybe I'll turn it over to Mr. Billedeau for his comments as well.

Mr. David Billedeau: Yes, if I may.

The Canadian Chamber of Commerce recently released a report on Canada's commitment to net zero and how we get to our 2050 goal in an orderly fashion. I'd be happy to share that report with the committee after our discussion today.

Similarly, we have an upcoming report focused on critical minerals. It is focused on addressing every section of our supply chain, from upstream exploration and extraction to downstream manufacturing and recycling. We're going to be developing a number of recommendations in each of those areas. Those will be released in early December. Again, I'd be happy to share those findings with the committee.

However, whether it's looking at net zero or critical minerals, life sciences or digital economy, when the chamber examines these potential areas for growth, there are always two themes that crop up that impede Canada's ambitions to grow: access to capital and access to labour.

The Government of Canada is already making great strides in access to capital through investments made by the Canada Infrastructure Bank, through the SIF, and most recently through the clean fuels fund, but at the end of the day, when we're looking at net zero alone, we're looking at a $2-trillion price tag for Canada to decarbonize. We really need to start getting serious about the true costs behind not only extracting and processing critical minerals but also decarbonizing our economy.

It's similar with labour. We're already facing labour shortages, which makes it really hard to attract investments in Canada, so we need to start developing that green job strategy I mentioned in my opening remarks.

● (1200)

Mr. Tony Baldinelli: Just building on that—

The Chair: You have 12 seconds left.

Mr. Tony Baldinelli: You talk about how we get that enabling approach. That would also extend, I guess, to our regulatory approach here in Canada so that we are better able to foster that investment and that job creation rather than hinder it and send it to the United States.

Mr. David Billedeau: I agree 100%. It's very hard to attract investment, particularly in the critical minerals sector, when our timelines go up to 15 years to start production. We need to shorten that time span to attract major investment capital.

The Chair: Thank you very much, sir.

We're on to Mr. Virani for five minutes.

Mr. Arif Virani (Parkdale—High Park, Lib.): Thank you.

I want to start with Mr. Breton.

You commented in response to what's been discussed about electric vehicle charging station infrastructure. I think you raised an important point about the fact that [*Technical difficulty—Editor*] of such vehicles will be charging at home, thus reducing the amount of public vehicle charging infrastructure that we have. You're nodding, so I guess I understood you well in terms of that.

You indicated that B.C. and Quebec have already had substantial success in building up vehicle charging infrastructure. Can you connect that to the idea about the provincial tax credits that are available in the province of Quebec and, if you have the understanding, what's available in British Columbia? Is there a connection between those two?

Mr. Daniel Breton: Do you mean the EV rebates?

Mr. Arif Virani: Yes.

Mr. Daniel Breton: Yes, there is a connection, meaning that it shows that both of those provinces are serious about making sure that more and more people adopt electric vehicles, compared to other provinces where there are no incentives to buy one or any will to develop a serious EV infrastructure.

However, with regard to your point, you have to keep in mind that more and more companies from the private sector are investing in EV infrastructure. I'll give you an example. One of our new members, called Parkland, owns a significant percentage of the gas stations in Canada, so they've decided to invest in EV infrastructure across the country. I'm sure you know Circle K. It is one of the biggest companies of the world coming from Canada—Circle K, Couche-Tard—and now it is one of the biggest infrastructure providers in Europe.

So, when you have private companies working with provinces and working with the federal government to develop wholesome infrastructure programs, I think we are on the right path. We have to do more, obviously, but I think we are in much better shape than some other countries are. We have to look at what's happening in Quebec and B.C. because they've really taken the lead on EV infrastructure.

Mr. Arif Virani: I note that with the change of government in Ontario in 2018, a very substantial EV tax credit was eliminated entirely by the incoming administration of Doug Ford.

Would you agree that this was a step backwards in incentivizing not only the purchase of electric vehicles, but also the supplemental supports, such as the charging infrastructure?

Mr. Daniel Breton: No, I don't agree: It was two steps backwards. It was beyond the EV rebates. You also had the whole plan to deploy EV infrastructure that was stopped at the same time. That was a big blow.

Mr. Arif Virani: I want to turn to Mr. Strickland and Mr. Simard.

You both mentioned what is aggressive in the IRA. You both highlighted nuclear. You know that in the fall economic statement, there's a statement about the investment tax credit, which I believe is part of the clean growth fund, of up to 30% being available for things like small modular reactors. There's a statement that follows a bit later about exploring large nuclear capacity as well.

Mr. Strickland, can you share your views on the availability of such tax credits and other financial incentives on the part of the federal government toward nuclear, broadly speaking, and not just small modular reactors?

Mr. Sean Strickland: Thank you for the question.

Part of my comments has always been centred around pursuing our competitive advantage in responding to the IRA. I think nuclear is one of our competitive advantages. We have a strong track record of nuclear in Ontario. We have a strong track record of nuclear in New Brunswick. Over and above that, there's this emerging technology of small modular reactors.

Small modular reactors have a variety of different uses. They are not only powering the grid; they are also powering large industrial applications. For example, there's mining. Most Canadians aren't aware of the thousands of litres of diesel that are helicoptered into our north to provide fuel for mining operations. It would be an opportunity for a small modular reactor to replace that and reduce the emissions and so on.

I think nuclear energy, small modular reactors and traditional nuclear are a competitive advantage that we have in Canada, and we should leverage them to whatever extent we can to increase our nuclear capacity.

● (1205)

Mr. Arif Virani: Given that your hat is with Canada's Building Trades Unions, it's also a typical point that you have things like Bruce Power or Ontario Power Generation, which have very high-paying, unionized jobs.

Mr. Sean Strickland: They're all good-paying union jobs. All the proponents for small modular reactors in Canada are signing MOUs with unions to make sure that those are built using union labour as well.

Mr. Arif Virani: Mr. Strickland, one of the things—

The Chair: You have 11 seconds.

Mr. Arif Virani: Really? Okay.

Thank you very much.

The Chair: Mr. Savard-Tremblay, you have two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair. I'll be brief.

For infrastructure, I find it interesting that there is a difference of opinion between the two associations, both of which have members that represent electric vehicle manufacturers. I'm not quite sure I understand this discrepancy.

Mr. Adams and Mr. Breton, who are the members of your organizations?

Mr. Daniel Breton: As I was saying, several of our members make light, heavy and off-road electric vehicles. I'm thinking of Tesla, Lion Electric, New Flyer, Girardin, Nova Bus and Taiga. The latter company had its snowmobiles and personal watercraft rated among the best inventions of the year by*Time* magazine.

We have quite a few members in Canada, and most of them manufacture electric components or vehicles of all kinds.

Mr. Simon-Pierre Savard-Tremblay: My question was in fact about your members in Canada.

[*English*]

Mr. David Adams: All of our members are in Canada. However, we have two manufacturers: Honda and Toyota. The remainder of our 15 members are the traditional European manufacturers, German manufacturers, Korean manufacturers and Japanese manufacturers. We also have VinFast, which is a Vietnamese electric vehicle company. That's an associate member of the association as well.

[*Translation*]

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

[*English*]

The Chair: Mr. Bachrach, you have two and a half minutes.

Mr. Taylor Bachrach: Thank you, Madam Chair.

I have some questions for Mr. Simard.

As you know, the only aluminum smelter in Canada outside of Quebec is in northwest B.C. About a thousand people in Kitimat rely on it for their employment. It's a really important facility and was modernized just a few years back.

I wonder if you could speak about the people of that community and share your thoughts on what the Inflation Reduction Act in the United States could mean for aluminum production in Kitimat five or 10 years down the road.

Mr. Jean Simard: Well, I would say that it means the same as it does for the rest of the industry in Canada, the other primary smelters, because it's all a matter of supply and demand in North America. The Kitimat plant is certainly a world-class operation that ships into two markets, which are Asia and North America.

There will be an increase in the growth of demand for aluminum that will be pulled by the IRA. Depending on the products that are generated or manufactured out of Kitimat, they will be able to capture some of that increase in demand.

It's all in market play at the same time. Canada is not the only country exporting to the U.S. We are competing with the Middle East. We are competing with India and with some Asian countries. They are all high-carbon, and we have the lowest carbon footprint in the world, so that's an edge. In looking at the decarbonization of the U.S. industrial sector, Kitimat certainly has an edge on the competition.

● (1210)

Mr. Taylor Bachrach: I'll cede my time back to you, Madam Chair, at the risk of trying to fit in one more question.

The Chair: Okay.

We have Mr. Martel for five minutes, please.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you very much, Madam Chair.

Thanks to the witnesses for being here. I'm pleased that they were able to come.

Mr. Simard, in connection with the aluminum industry in Quebec, you said that the U.S. 2022 Inflation Reduction Act was a positive measure for the aluminum market and that its application would create business opportunities. However, in a recent article, you said that our aluminum smelters were already at production capacity.

Since Canada's fedral government always seems to be lagging behind, what's missing to promote the kinds of investment that would make it possible to increase the production capacity of Canadian aluminum smelters?

Mr. Jean Simard: Thank you for that very good question, Mr. Martel.

I'm going to link it to a question I was asked earlier by one of your colleagues.

Canadian plants underwent a wave of modernization over the past 15 years. The average age of these plants today is 35 years. We are accordingly reaching a decisive turning point at which we need to consider a new wave of investment, meaning that once again, billions of dollars will be required for large plants like aluminum smelters.

It's a paradox for us really. There is growth in market demand and, as I explained at the outset, we are in a very good position in terms of our carbon footprint and our human footprint.

However, when you have billions of dollars to invest, a key question has to be addressed. Should the major investment plan be launched today using current technologies, or is it better to wait in order to be able to do it with zero-carbon technology, which looks to the future and would be used by companies for the next 25, 30 or even 50 years?

We are thinking here about the ELYSIS corporation's technology, which is still at the research and development phase in Saguenay, but which is looming on the horizon as something that can be used on an industrial scale. It's expected that the technology will be ready to go between 2024 and 2026, which is fairly soon.

In terms of investment, you have to ask the same questions you would ask when buying a car, because it's the same situation. Should you buy an electric vehicle today, which would meet needs for the next 25 years, or buy a traditional gasoline vehicle and wait a few years to make sure that when you buy an EV, it will meet future needs? That's where we are today.

Mr. Richard Martel: I remember clearly that you were speaking to me about accelerated depreciation.

Mr. Jean Simard: Yes.

Mr. Richard Martel: You were speaking to me about a policy for the purchase of low-carbon footprint aluminum, for investment in innovation and research and development for recycled aluminum, and for a more competitive taxation and regulatory environment.

Why have these measures not yet been implemented, even though aluminum is a promising growth sector?

Mr. Jean Simard: You're right. It's the catalyst that we will need; a restructuring of the fiscal framework to allow for major industrial investment while decreasing associated risk. Automation will have to be used increasingly, along with artificial intelligence and machines that are designed here in Canada and Quebec to meet these needs.

On the other hand, it can't be done within the current fiscal framework. It requires accelerated depreciation of capital expenditures, and developments that would allow for investment in decarbonization, although this needs to be done in connection with the smelting process, because there is still work to be done on that side of things.

Mr. Richard Martel: That sounds good, but how is the federal government responding to these requests?

● (1215)

Mr. Jean Simard: We write the same thing every year during the pre-budget consultations, but we're still waiting. We do the same for the Quebec government, but it has made certain adjustments. Nevertheless, the most important parameter is accelerated capital cost depreciation, to which we are not entitled as an industrial sector .

Mr. Richard Martel: We ask ourselves what's happening, and we're told that conversations are underway.

Mr. Jean Simard: Allow me to give you some additional details.

We've been wondering what Canada can do about the United States Inflation Reduction Act of 2022. We'll never be able to hold our own, because we're not big enough and we don't have the same resources.

On the other hand, even though we can't compete, we can rely on our natural comparative assets and advantages. Aluminum is one. We have to be more agile and speed up Canada's reindustrialization. We can't wait 12 years to get projects underway. Regulatory amendments are needed so that we can effect our transformation faster than the United States.

Mr. Richard Martel: So you are requesting regulatory amendments.

[*English*]

The Chair: I'm sorry, Mr. Martel.

Thank you.

Mr. Miao, go ahead.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair.

Thank you to all the witnesses for appearing today.

First, I'd like to ask a question of Mr. Strickland.

I want to ask you [*Technical difficulty—Editor*] apprenticeship program. Can you expand a little on the success of this program? Do you think it could help Canadian companies retain workers and grow their businesses going forward?

Mr. Sean Strickland: Thank you very much for the question.

It's been alluded to previously by other witnesses that we have a labour availability challenge in Canada in a variety of sectors. One of them is construction. We bring in thousands of apprentices every year to the unionized industry, just to keep pace with retirements. Then, when you overlay that with all of the possibilities of future work, we need some help. We need some help to attract people into the trades.

In the trades, there is a program through ESDC where we are able to incentivize employers to hire apprentices. They are able to receive $5,000 per apprentice and $10,000 if that apprentice is from an equity-deserving group.

Mr. Wilson Miao: Thank you for that.

I would like to address my next question to Mr. Adams.

This past spring, along with a number of other automotive industry associations in Canada, your organization launched a new initiative, Road to 2035, which is aimed at helping Canadians understand what it takes for Canada to achieve its zero-emission vehicle sales target.

I'm wondering if you can share with the standing committee your thoughts on our government's commitment in the fall economic statement. Can you elaborate on what more you think needs to be done to level the playing field with the United States?

Mr. David Adams: Thanks very much for the question.

With respect to the Road to 2035, we and the other automotive associations are putting that out to assist not only Canadian consumers, but also Canadian legislators, in terms of what needs to be done to facilitate this change. That has a lot to do with incentives, as I've already mentioned. It also has a lot to do with infrastructure.

With respect to your question in terms of the fall economic statement, the Canada growth fund and the accelerated capital cost reduction are two elements that could potentially assist.

The reality is that we need to see a little bit more detail. We understand that will be forthcoming in the budget. As myself and other speakers have already alluded to, the budget is probably some five months away and every month counts in the space that we're operating in.

Mr. Wilson Miao: Thank you.

I would like to address the next question to Mr. Breton.

The relationship between the federal and provincial government on EV policy has proven to be challenging at times. Can you expand on how you think the federal and provincial governments can best work together when it comes to any EV policies?

Mr. Daniel Breton: Thank you for the question.

As we can see, we are looking at what's being done in Quebec and B.C., but also in the Atlantic provinces regarding accelerating EV adoption through rebates and infrastructure deployment. We are seeing that provinces willing to move forward in that direction make a big difference. The federal government cannot do it by itself. We need all the provinces to move in that same direction.

Now, we have the central provinces, from Ontario to Alberta, where there are no rebates. There is starting to be an infrastructure deployment plan in Ontario. In other provinces it's still a challenge, especially when you move outside the urban areas. Let's say you move to rural Manitoba or Saskatchewan, for instance. This is more of a challenge.

We have members across the country who are working with municipal governments, because sometimes provincial governments do not want to move forward in that direction, so we are looking at all levels of government to make sure that we accelerate EV adoption.

I would say that in some provinces that are not too keen on accelerating EV adoption, we're very often working with municipal governments.

● (1220)

Mr. Wilson Miao: Thank you.

The Chair: You have 30 seconds.

Mr. Wilson Miao: A comment I'd like to make is that I am proud to be a British Columbian. B.C. is at the forefront of EV policy, and I hope more provinces will be joining us.

Thank you.

The Chair: Thank you very much.

We have Mr. Fast for five minutes.

Hon. Ed Fast (Abbotsford, CPC): Thank you very much to all of our witnesses.

My first question is for Mr. Adams.

I just want to get clarity on the state of Canada's clean vehicle environment, not only on the industrial and job creation side—those are important—but also on the consumer side. Did you say that 85% of all Canadian EV production is exported?

Mr. David Adams: I said 85% of production is currently exported. We would expect that would be the case when vehicles are electrified as well. The majority of the production would go to the United States.

Hon. Ed Fast: With the incentives that the IRA now establishes, which will presumably increase the demand for ZEVs in the United States, will that not exacerbate the problem of having more and more Canadian production exported and Canadians being left without the availability of zero-emission vehicles for purchase?

Mr. David Adams: Actually, I don't think so. I think, at least in the short term, it will likely be exactly the opposite because, as other speakers have noted, it will take a lot of time for the capacity to be built up in the United States to meet the provisions under which a consumer can access the rebate with respect to both critical minerals and battery production. Right now, whereas 70 models used to be eligible for the EV incentive, there will only be 20 or 25 models eligible for the incentive in the United States.

I guess you could also build an argument that in that circumstance if there is an abundance of EVs out there, which currently there is not, Canada might have an advantage in securing more EVs because of both the federal and in some cases the provincial incentives that are in place.

Hon. Ed Fast: Would you acknowledge that Canada presently has a shortage of EVs available for purchase by Canadian consumers?

Mr. David Adams: I would say there is a shortage of all vehicles currently, whether they are EV or ICE vehicles. With respect to EVs, the reality is that it's not one country versus another. The reality is that the world is transitioning and building up both battery facilities and vehicle production facilities, and it will take time for more robust allocations of vehicles to be available on a global basis.

Hon. Ed Fast: I have a question for all of our witnesses. Jump in if you can.

Is there anything in the IRA incentives for EV and battery production that would violate either our trade agreement with the U.S.—the USMCA—or the WTO trade rules?

Mr. Daniel Breton: That's a question I'm asking myself, actually. In my initial presentation I did mention this, because I think the fact that they're giving incentives only for U.S. battery production can be a concern. It is something to look into.

Hon. Ed Fast: I would suggest that this would also be the case for any responses our Canadian government comes forward with. We have to make sure that we comply with our trade obligations under both USMCA and the WTO.

I have a question for Mr. Billedeau.

The IRA introduces half a trillion dollars Canadian in new spending. That's on top of several trillion dollars' worth of U.S. spending that occurred during the COVID pandemic. Has your organization done any analysis of the impact this additional spending will have on inflation in Canada? We know that when the United States spends, that spending often sloshes over the Canadian border. Have you done any analysis of whether that will have an impact on our inflationary pressures?

● (1225)

Mr. David Billedeau: I have two points, but perhaps I could first respond to your previous question very quickly.

It's worth noting that the European Union is carefully examining whether the Inflation Reduction Act does violate WTO rules. A number of tax credits, I believe inclusive of electric vehicle tax credits, might indeed violate those WTO rules. I would keep a close eye on the actions of the European Union on that file.

To your question regarding inflationary pressures, this is an area of focus that the chamber is currently examining. We already know that inflationary pressures are making labour conditions in Canada much worse. With the added pressure of the nine million anticipated jobs being created by the Inflation Reduction Act, labour conditions are going to be exacerbated. I suspect that the cost of operating will be challenged as well, going forward.

The Chair: Thank you very much.

We'll move on to Mr. Sheehan for five minutes, please.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you, Madam Chair.

Thanks to all our presenters. This is really good information for us to have.

What a difference a day makes. At the beginning, when we were discluded from many of the buy American strategies, it sort of reminded me again of the section 232 tariffs that were launched on steel and aluminum and that kind of protectionism. But we know that our economies are so integrated. I'm from Sault Ste. Marie, a good steel town, and we were on the front lines of the first round. I thought it was like déjà vu all over again.

For my first question—I won't go further than this guy on that—I'm going to ask my friend from the aluminum producers about the SIF programming. We heard testimony on how important the strategic innovation fund programming is to the steel industry.

Jean, I'd like to ask you about the SIF funding. Did you take advantage of it? I guess the question is whether you could use more of it.

Mr. Jean Simard: Thank you.

We have been using the SIF program. I would say that the first iteration of the SIF program lacked, in our evaluation, the required agility and speed of delivery, but it worked. This is what backed the ELYSIS project initially, to develop the inert anodes that will bring us to produce without any CO_2 emissions in the future. It's been very strategic to the aluminum industry.

We are still benefiting, for other projects in the industry, from the SIF program. We think it's a very well-designed program. It's WTO-compliant. It's accessible. It's probably a little burdensome in terms of paperwork and follow-up and everything, but at the same time, these are big sums of money. It has to be well proofed to ensure that citizens' money is well invested and well spent.

Of all the things that lie around the federal landscape in terms of programs, this is certainly one of the jewels of the crown.

Mr. Terry Sheehan: Thank you very much.

Mr. Strickland, before I was an MP, I used to work for the Ministry of Training, Colleges and Universities. I was the “T” in that, so I did a lot with apprenticeships. There were a few announcements recently, including the labour mobility tax credit for people particularly in the construction industry. Could you make some comments on it?

It's a $4,000 fund, for those who are listening. I think it's really good, because you have people moving all across the country to where the work is.

Could you comment on that?

Mr. Sean Strickland: Sure. Thank you for the question.

The labour mobility tax deduction treats a worker more fairly than a tax credit would, so we were really pleased that the tax deduction was included in the last federal budget. Previously, construction workers weren't allowed to deduct travel expenses for going to work or for accommodation when they had to travel for work. They weren't able to deduct those expenses, unlike many other Canadians who are allowed to deduct those expenses. We were really pleased to see that change.

We've been working on that change for quite some time. It will help to improve mobility so that workers can go to where the work is and put in that claim when their living expenses aren't covered by collective agreements. There are some collective agreements that will cover those living expenses.

We're pleased with that.

There are also lots of comments about the fall economic statement. In the fall economic statement, there were discussions around enhanced credits for a variety of initiatives to reduce greenhouse gases, which also included language around “prevailing wages” and creating good middle-class jobs, and also around supporting apprenticeships.

There's a whole host of avenues and policy levers that we need to address labour availability and labour mobility in Canada, and we're pleased with some of these developments that have occurred.

● (1230)

Mr. Terry Sheehan: Yes, and tying it in with the green in the fall economic statement I think is really good too. Thank you for that.

The Chair: You have 34 seconds, Mr. Sheehan.

Mr. Terry Sheehan: On the union training, can you describe in 30 seconds what kind of impact the doubling of the union training would make?

Mr. Sean Strickland: Union training innovation programs have a tremendous impact in terms of tens of millions of dollars in investment in union training centres across Canada. We have over 195 of them. We invest over $250 million of industry funds to train journeypeople and also apprentices. The union training innovation program has helped us to purchase more equipment to help us position our workers for the new technologies of the future to help with decarbonization.

The Chair: Thank you.

We'll go to Monsieur Savard-Tremblay for two and a half minutes.

[*Translation*]

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

In all likelihood, this is the final round of questions and the last opportunity I will have to speak. My questions will therefore be for all the witnesses, and I'd like everyone to give me an answer within the two minutes I have left.

A little earlier, Mr. Breton proposed amending the wording of the 2022 United States Inflation Reduction Act to replace the word "American" with "North American". What other changes or improvements should we be suggesting to the U.S. Congress?

Mr. Jean Simard: I believe we should use the expressions "North American" or "signatories to the free trade agreement". The agreement will certainly not be amended, but it could be referred to.

[*English*]

Mr. Sean Strickland: I would leave it to the industry experts, who have done a much deeper dive into the different segments of the Inflation Reduction Act.

I would put a different spin on it. What we need to do in response is adopt some of the language to make sure we create good-paying union jobs and good middle-class jobs.

Mr. David Adams: I guess I would say that we need to be strategic, as other commentators have said, about where we leverage our investments, and certainly perhaps increasing the SIF funding and those types of measures would allow us to be strategic in how we try to secure investment for Canada.

To Mr. Fast's point, I think we do need to be careful of our trade obligations internationally as well.

Mr. David Billedeau: Maybe I'll just echo some of the previous comments.

I think the focus really should be on the Canadian response to the Inflation Reduction Act and how we go about not only continuing to collaborate with the United States but also addressing some of these non-tariff barriers to the U.S. market. Federal subsidies in Canada for things like CCUS are basically about half of what's now on offer in the United States, so it's time to get moving on our response here.

[*Translation*]

Mr. Daniel Breton: I'd like to suggest something else with respect to government tenders, at any level of government, which is that instead of accepting the lowest bid, preference should be given to green bids.

That would not be incompatible with international free trade agreements and it would give Canada an advantage. I therefore think that it's important for Canada to move in that direction.

[*English*]

The Chair: Thank you.

We'll go to Mr. Bachrach for two and a half minutes.

Mr. Taylor Bachrach: Thank you, Madam Chair.

Mr. Breton, the Inflation Reduction Act includes a $4,000 tax credit for used zero-emission vehicles. How does that compare to incentives in Canada for used zero-emission vehicles?

Mr. Daniel Breton: In one of the mandate letters, we are supposed to see a used EV rebate coming up soon. We are advocating for people who don't want to buy or just cannot buy a brand new electric vehicle to be able to have one through an EV rebate for used vehicles.

It's been out there for a couple of years now. We're hoping that at one point, the federal government will come up with a used EV rebate.

● (1235)

Mr. Taylor Bachrach: Have you had conversations with the federal government about when that incentive is coming for used EVs? I know that right now, used electric vehicles are selling for more than the price of a new electric vehicle because there are such constraints on supply.

What has the federal government told you about when that's coming?

Mr. Daniel Breton: There's been no word yet regarding when that's coming, but we are expecting the news, I would say, in the 2023 budget.

Mr. Taylor Bachrach: Thank you.

Mr. Simard, I was interested to hear you mention the ELYSIS project to move toward zero-carbon aluminum production. It's very exciting. That work is supported through various programs, as you mentioned.

Is there anything in the Inflation Reduction Act that incentivizes the rollout of that technology throughout Canada's aluminum sector?

Mr. Jean Simard: Do you mean to what extent is there something in the IRA that is applicable to what is being done in Canada?

Mr. Taylor Bachrach: My read of the IRA is that it creates a large demand for North American aluminum, but the ELYSIS project is specifically about driving down the carbon content of that aluminum.

Is there anything in the act that is going to expedite or accelerate the rollout of these zero-carbon technologies?

Mr. Jean Simard: I don't think it will impact in such a fashion what's going on in Canada. There is something in the act—we have to look into it in a more granular fashion—that might shore into the U.S. industrial complex part of the manufacturing required to produce some of the components of that technology.

The Chair: Thank you very much.

We'll move on to Mr. Martel for five minutes.

[*Translation*]

Mr. Richard Martel: I'll share my speaking time if there are no other questions.

Mr. Breton, what I'm concerned about at the moment is that nothing much is really happening. We've been talking about all this for many years and no progress is being made. We are going around in circles. As the president and chief executive officer of Electric MobilityCanada, I would imagine that you have made representations to the Government of Canada.

In recent years, I'd like to know what kind of support you've requested from the federal government in order to be able to develop a robust electric vehicle industry in Canada.

Mr. Daniel Breton: I began these discussions with the federal government 18 years ago. That's quite a while. As I was saying earlier, China has really got a head start of many years over the entire planet. It's not just a Canadian problem, but one that also affects Europe, the United States, Japan and Korea, where people were much less interested in electric vehicles. For the past five years now, however, the world has woken up and there's a lot of catching up to do.

Honestly, I think the federal government has been doing a lot over the past two years to speed up the adoption of electric vehicles; measures include rebates on the purchase of light electric vehicles, and here was the announcement this summer of a rebate on the purchase of medium and heavy electric vehicles, and on infrastructure deployment.

Even though his figures don't hold water, Mr. David Adams is right. We obviously need more charging infrastructure. The federal government can't do it alone and that's why the governments of Ontario and Quebec, the Maritime provinces and British Columbia have been doing a lot of work in this area.

As for research and development, don't forget that a 2022 Tesla makes use of two battery technologies: LFP technology, developed at the Hydro-Québec Research Institute, and NMC technology, developed by Jeff Dahn's team at Dalhousie University in Nova Scotia.

One key factor is making sure that there are qualified workers capable of effecting the transition of declining industry sectors to this growing industry sector. Indeed, the transportation electrification sector is the most rapidly developing sector in the world, and that's why there's a lot of work to be done.

Mr. Richard Martel: I will now give the floor to my colleague Mr. Carrie.

[*English*]

Mr. Colin Carrie: Thank you, Monsieur Martel.

I'd like to address a question to Mr. Billedeau.

From a business standpoint, the federal government puts these targets out without any clear pathways. We've been talking about provincial partnerships. Sometimes each province has a different challenge. We've talked about subsidization and that may not be something that all provinces can do equally.

Mr. Billedeau, I was wondering if you could expand on your comment about non-tariff barriers. Could you give the federal government advice—provide it to the committee? The fall economic statement really fell short. Could you comment on how to improve our competitiveness? We can't subsidize more than the United States, but how do we attract better capital? How do we improve our labour options and training for the future labour we need? You talked about lead times for mining and supply chains.

I know that's a lot in two and a half minutes, but if you don't get to it, could you send us some information and advice for the government? We really want to work together to make sure we set a path forward that's clear so we can attract that investment here in this country.

● (1240)

Mr. David Billedeau: That's a great question.

Starting first with the fall economic statement, the Canadian chamber welcomed measures to increase the supply of skills needed in our workforce to achieve net zero. We also welcomed tax credits for investments in clean technologies and clean hydrogen, as well as the commitment to reducing regulatory obstacles to investment in many major projects.

That being said, we really had hoped to see low-cost growth measures, like a plan to eliminate long-standing barriers to interprovincial trade and to substantially and materially reduce regulatory burdens in several sectors inclusive of the mining sector. The chamber also wanted to see in the fall economic statement—and we're hoping to see this going forward—an integrated plan to get desperately needed food, fuel and fertilizer to global markets.

At a high level, our initial response is that the fall economic statement is indeed a start, but as many of my colleagues on the panel today have said, it looks like we're going to need to wait until budget 2023 to receive a sustainable economic growth plan that covers all of these sectors.

Again, at the core of what the Canadian Chamber of Commerce is looking for are low-cost options to support economic growth, like addressing the interprovincial trade barriers, and also supporting labour growth including skilled labour, and increasing and directing incentives to where they need to be.

Thanks.

Mr. Colin Carrie: Do I have any time or is that it?

The Chair: Your time is up, sir. Thank you very much.

We'll go on to Mr. Virani, please, for five minutes.

Mr. Arif Virani: Thank you, Madam Chair.

I want to return to Monsieur Breton.

We have heard a lot about investments that have been made in the electric vehicle sector, particularly in the last year or so. The number $15 billion has come up. Within that $15 billion, there is an announcement of a planned investment by Umicore of $1.5 billion in a net-zero facility that's dedicated to producing the essential components of EV batteries and creating 1,000 jobs in the construction sector. That dovetails with some of the just transition points that Mr. Strickland is making.

The broad theme I'm getting from all of the witnesses here is that we can't just replicate the old resource-based economy model of Canada. We need to be doing more of this fabrication. This Umicore investment is along the right path.

Can you elaborate on how we get more of that on the fabrication side? What impediments need to be removed or what incentives need to be put in place for the fabrication of the batteries themselves?

Mr. Daniel Breton: As I mentioned earlier, I think the Inflation Reduction Act is having quite an effect on the possibility for Canada to attract new players to build batteries and battery components in Canada. I think we really have to look into that.

Let's be honest here. Minister Champagne has been doing an amazing job of attracting investment in Canada, whether it's for batteries, vehicles, components or anodes and cathodes, but it is a challenge.

There is one more thing I would like to mention. We have talked about the fact that in working to develop a mining industry that's going towards net zero and decarbonizing the economy, many of the critical minerals do need a lot of time—too much time, as far as we are concerned—to be opened and authorized and to start producing.

We need to have refining done here as well. People don't realize that what's happening in China is that many of the critical minerals do not come from China. They are bought by China and they are being refined in China. We have to develop a refining industry here that will thrive more than what we have seen in the past. My colleague here from the aluminum industry was mentioning that exactly.

We also have to make sure that we work in partnership—and I want to emphasize the word “partnership”—with first nations. We cannot replicate the same mistakes we have made in the past, where we come on their land and say that we're opening this mine here or there and we will see how we compensate them afterwards. To me, this is a critical issue because if we do not address that right from the beginning, it's going to be a major roadblock.

● (1245)

Mr. Arif Virani: Thank you. I think that's a really important point, and that dovetails with this issue about.... Yes, there are regulations and requirements for a mining project, but they're necessary for inclusive growth and growth that doesn't demean or diminish first nations' rights.

Mr. Strickland, I want to turn back to you. At the very start, you talked about Canada's leadership position and what we were doing in terms of net zero and climate action. You said that, in one fell swoop with the IRA, they're leaping in front of us, and we have to keep pace.

I'm going to say to you that we've heard a lot at this committee and generally in Parliament about the carrot-and-stick approach. The carrot is what we're seeing in the United States in terms of active incentives, huge dollar amounts and the fivefold increases that you mentioned. The stick, which I also believe spurs innovation, particularly as we move on a path towards net zero, is things like our price on pollution, the carbon price that has been a hallmark of our government.

I believe it needs to be a twofold approach. I'll confess to you some surprise when people in the Biden administration are saying to us that we need to show more ambition, and then there are parliamentarians, including on the floor of the House of Commons, who say, “Get rid of the carbon price” or “Stop accelerating the carbon price.” I think it needs to be a multi-faceted approach.

Can you comment on that?

Mr. Sean Strickland: I would agree that it needs to be a multi-faceted approach of the carrot and the stick in terms of providing incentives. There's the Canadian way and there's the U.S. way, and we usually find a way that's somewhere in between.

I'd also like to say, in terms of context, that the discussion we're having today is really important for Canadians. We're talking about the largest transition of the Canadian economy and the industrialized economies of the world since the Industrial Revolution. We need to get this right. The stakes are high. We need to reduce carbon, and we need to save the planet, all before lunch kind of thing.

I think it's important for us to keep in perspective that the world is going to make these changes and put into place these changes to help us get there, to decarbonize our planet, and it's not going to be a straight line. We have to work together and we have to work as partners, but we also have to remember that no amount of incentive is going to work if we can't build these projects in time. That's the real balancing act we need to find. We're not going to get the incentives 100% right, but are we going to get them right enough so that we can build these projects?

I would say that we have to do the best we can but keep our eye on that regulatory framework. I think it's really critical.

Mr. Arif Virani: Thank you.

The Chair: All right, folks. We have completed three rounds. Unless there's a very hot, pressing question that someone would like to ask, I will thank our witnesses very much for all the information.

To our witnesses, thank you again for coming back. I have a feeling we'll probably see you back some time in the new year, so thank you very much.

This meeting is adjourned.