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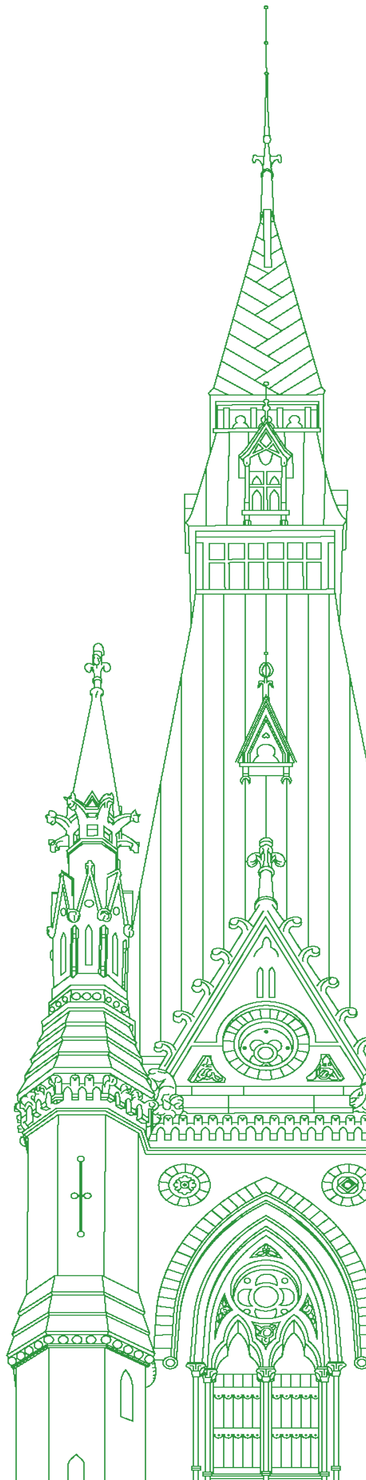

Chair: The Honourable Judy A. Sgro

Standing Committee on International Trade

Tuesday, December 13, 2022

● (1105)

[*English*]

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

Welcome to meeting number 44 of the Standing Committee on International Trade.

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

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

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

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

I will 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.

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

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

Should any technical challenges arise, please advise me and we will make the proper corrections.

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

We have with us, as an individual, Colin Robertson, senior advisor and fellow for the Canadian Global Affairs Institute, by video conference. From Bioindustrial Innovation Canada, we have A. J. Marshall, advisor and project manager, by video conference. From the Canadian Biogas Association, we have Jennifer Green, executive director. Finally, from the Cement Association of Canada, we have Adam Auer, president and chief executive officer.

Welcome to all of you.

We will start with opening remarks of up to five minutes.

Mr. Robertson, please go forward.

Mr. Colin Robertson (Senior Advisor and Fellow, Canadian Global Affairs Institute, As an Individual): Thank you, Madam Chair.

In the fall of 2005, I led our advocacy team at the Washington embassy. Softwood lumber was a top priority, and our ambassador, Frank McKenna, asked me when our troubles over lumber began. I called the Librarian of Congress. A couple of days later, he said their research showed that timber merchants in northern Massachusetts—what is now Maine—successfully petitioned Congress during the second administration of George Washington to impose levies—or tariffs, as we call them today—on New Brunswick timber sent to Boston to be used in shipbuilding.

The point of this story is to remind ourselves that Americans practising protectionism is as old as the republic, and it will never change. We are not usually the primary target of U.S. trade actions. A lot in the Inflation Reduction Act is aimed at countering China. However, the deeply integrated nature of our trade means we can become collateral damage, as we did with the Trump administration's steel and aluminum tariffs.

Trade policy is even more complicated now, because it involves climate, human rights, labour and environmental provisions. In the wake of the pandemic and with the return of great power competition, national security is a dominant consideration. We must now secure and make resilient our supply chains through decoupling, nearshoring and friend-shoring. Security of supply now trumps comparative advantage.

We've witnessed the return of national industrial policies, complete with incentives and subsidies, like those in the IRA. For this reason—and this is my second point—our advocacy effort with the United States must be a permanent, ongoing campaign to remind Americans that reciprocity in trade and investment continues to benefit both nations. The U.S. is the market that matters most for all businesses, especially for people we are encouraging, like women and minorities.

Three-quarters of our exports—manufactured goods like auto parts, or resources like lumber, oil and gas—go to the United States. With trade generating over 60% of our economy, access to the United States matters. For 30 or so American states, the biggest market is Canada. Our trade and investment generates nine million American jobs. Parsing this by state and by congressional and legislative district, as I used to do, works because just as all politics in the United States is local, so is all trade.

Other witnesses have testified that a team Canada effort helped us secure a level playing field for the production of electric vehicles. Our ambassador, embassy and consulates play a critical role. Having done this both in Washington and at consulates, our success also depends on a Team Canada effort involving the Prime Minister, premiers, ministers and members of Parliament from all parties. All levels of government must be involved, as well as business, labour and interest groups.

To level the playing field on U.S. protectionism, we pursue various avenues. We will continue to protest their incentives on battery production as discriminatory and contrary to their CUSMA and WTO trade obligations, arguing, as we did in the case of the EV tax credit, that we should approach this on a continental basis. We will remind the United States of our right to respond to discriminatory behaviour with trade sanctions. The threat of targeted sanctions helped persuade the United States to lift the steel and aluminum tariffs.

However, imposing counter-tariffs also imposes a tax on our own consumers. As this committee knows, there is pressure to match the American subsidies with subsidies of our own. We have done this before, but the cost is borne by the taxpayer. Alternatively, we could agree with the United States on the use of incentives, as we recently did for solar panels. The ideal would be a continental industrial strategy that includes Mexico.

Regardless—and this is my third point—we need to get our own act together by making the sectors that matter most to us as competitive as possible. There is lots of useful research from business, government and think tanks to draw on. Two that stand out are "Restart, Recover and Reimagine Prosperity for All Canadians", prepared by Canada's Industry Strategy Council, and the Senate prosperity action group report "Rising to the Challenge of New Global Realities".

To help implement and make practical their recommendations, we should reconstitute the sectoral advisory groups, or SAGITs, that served us so well during the Canada-U.S. free trade agreement negotiations. Composed of business, labour, provincial governments and civil society, they guided the negotiators with practical advice on what Canada needed, and acted as sounding boards on what we could accept in negotiations.

To conclude, advancing our interests with the United States is a permanent campaign requiring a team Canada approach with a clear focus on our objectives.

Thank you, Madam Chair.

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

Mr. Marshall, you have up to five minutes.

Mr. A. J. (Sandy) Marshall (Advisor and Project Manager, Bioindustrial Innovation Canada): Thank you, Madam Chair and committee, for the invitation to speak today.

My name is Sandy Marshall. I am an advisor and project manager with Bioindustrial Innovation Canada, also known as BIC.

BIC is a national not-for-profit business accelerator that provides critical strategic investment, advice and services to developers of clean, green and sustainable technologies. We have a track record of successfully supporting early stage companies across the country in multiple sectors. For example, some of our portfolio companies include leading lithium-ion battery recovery companies and renewable fuel producers working to decarbonize our transportation sector by creating sustainable aviation fuel.

We have a history of success. Our portfolio companies are on track to achieve over 13 megatonnes of GHG reductions by 2030, while at the same time supporting thousands of jobs. Simply put, BIC knows and understands the clean, green and sustainable technologies space and the opportunities that Canada has to become a leader and create thousands of good-paying jobs at home.

The introduction of the Inflation Reduction Act by the U.S. poses a threat to this industry in Canada. Even prior to the IRA, many early stage companies have had to make tough decisions on where to grow their business: at home or south of the border. The IRA will help make that decision just a bit easier for many of these companies. The massive subsidies being provided, such as the investment tax credit of up to 50% and production credits for clean fuels—including for sustainable aviation fuel, as I mentioned—mean that there is an even larger reason for Canadian companies to shift their interests abroad to gain access to these incentives and a significantly larger market and workforce.

The case of sustainable aviation fuel production is particularly telling. For every litre produced in the U.S. under the IRA, 62¢ Canadian is provided as a tax credit on a direct-pay basis. If Canada is serious about decarbonizing aviation and about having the green jobs associated with this decarbonization in Canada, a production tax credit equivalent to the 62¢ per litre in the IRA should be included.

Lacking a stronger response from the Canadian government, the reality is that it will be next to impossible to grow sustainable projects here in Canada. Beyond matching or exceeding available opportunities that the U.S. government has introduced, our government should also look at other complementary measures, such as supporting organizations like BIC, which can help bridge the gap and provide strategic technical support to early stage companies, and provide Canada with a chance to attract and retain globally significant green projects.

It should also be highlighted that the IRA builds on a number of other programs, including the climate-smart commodities program. It helps to identify, validate and provide technical, financial and market assistance to primary producers and processors—which is BIC's primary focus. They will be the foundational stakeholders in the U.S. decarbonization strategy, as well as suppliers of primary inputs into these IRA-funded technologies.

Thank you for this opportunity to speak today. I'm happy to take the committee's questions.

● (1110)

The Chair: Thank you, Mr. Marshall.

It's on to Ms. Green, please.

Ms. Jennifer Green (Executive Director, Canadian Biogas Association): Thank you, Madam Chair and the rest of the international trade committee, for the opportunity to join you here on the unceded traditional territory of the Algonquin Anishinabe people to discuss the impact that the American Inflation Reduction Act has on Canada's biogas and renewable natural gas sector.

For the purpose of my testimony, I will be referring to the Inflation Reduction Act as the IRA and to renewable natural gas as RNG.

The Canadian Biogas Association serves as the collective voice of Canada's biogas and RNG industry. Founded in 2008, the Canadian Biogas Association has over 180 member companies representing farmers, municipalities, utilities, technology developers, consultants, finance and insurance firms and affiliate organizations, all with a focus on building the biogas and RNG sector in Canada.

For those of you who may not be familiar with biogas and RNG, our product is a drop-in gaseous fuel that is lowering the emissions of Canada's energy system today, with over 300 projects providing low-carbon energy in every province. We call biogas and RNG a drop-in fuel because both are a form of methane, just like natural gas. The major difference is that the methane produced by our members comes from organic materials from farms and municipalities rather than from drilling into the ground. This difference in methane source translates into a significant drop in greenhouse gas emissions associated with its production.

As you know, the IRA has upended the investment landscape for the clean energy and clean technology sectors, bringing in generous production and investment tax credits as a means of kick-starting the American domestic industry. As this committee has heard throughout its study, these measures have made Canada an uncompetitive investment jurisdiction overnight, especially in the biogas and RNG sector. As my American counterpart recently stated, the IRA gives developers and financiers “certainty and a competitive edge that will fuel growth of the biogas and clean energy industry for years to come”.

To put it mildly, these new American tax credits have placed biogas and RNG projects in Canada, which were days away from their final investment decisions in August, permanently on hold. Canada must respond; otherwise, projects that hold immediate emission reductions will continue to be paused and/or go south of the border, where proponents can choose between a production tax credit worth 2.6¢ U.S. per kilowatt hour or an investment tax credit worth 30% of their project costs.

We recognize that Canada has started to lay the foundation of a robust response to the IRA's threat to our competitiveness. The Canadian Biogas Association strongly supports the investment tax credits for clean technologies and hydrogen that were introduced in the fall economic statement of 2022. These investment tax credits will help projects get built and bolster domestic clean energy security.

However, there is a crack in the foundation. Finance Canada did not include provisions for biogas and RNG in the fall economic statement's new clean technology investment tax credit. We know that the federal government is investing in the long-term decarbonization of the economy with hydrogen and other clean technologies, but leaving out a technology that is decarbonizing the gas Canadians heat their homes with every day is a major oversight. I have heard from my members that if biogas and RNG projects were included in Canada's new clean technology and hydrogen investment tax credits, they would be able to execute 80% of their projects. Without inclusion in Canada's response to the IRA, they have made it clear that it is unlikely that any new biogas or RNG projects will be built in Canada—not when they can receive favourable tax treatments in the U.S.

Our recommendation is an easy fix for Canada. Add biogas and RNG projects to the investment tax credit brought in by the fall economic statement and ensure that all low-carbon gaseous fuels are treated equally. This will put Canadian biogas and RNG projects on equal footing when it comes to competing for investment capital. It will help my members build projects, create jobs and reduce emissions with a proven technology.

Thank you for your time. I look forward to your questions.

● (1115)

The Chair: Thank you very much, Ms. Green.

Now we'll have Mr. Auer for up to five minutes, please.

Mr. Adam Auer (President and Chief Executive Officer, Cement Association of Canada): Thank you, Madam Chair.

Good morning, members of the committee. Thank you for inviting me here today on behalf of the cement and concrete industry to discuss the impact of the U.S. Inflation Reduction Act.

First, here are a few facts about my industry.

Concrete is the world's most used and most important building material. It is the foundation of economic growth and infrastructure in communities large and small, providing a cost-effective, reliable solution to building durable roads, bridges, water mains, sidewalks, schools, hospitals and community centres, and the list goes on.

Our industry generates more than $76 billion in annual economic activity and employs over 158,000 Canadians in good-paying jobs in communities across Canada. However, making the cement that holds concrete together produces a lot of carbon pollution—about 1.5% of total emissions in Canada and 7% globally. For our industry, the scientific and economic imperative is clear: We need to transform our industry for the net-zero future.

That's why we were the first industry to join Canada's net-zero challenge, committing to full transparency on how we plan to meet our targets. However, we can't do it alone. Last month, we released a road map to net-zero concrete in collaboration with the Department of Innovation, Science and Economic Development, a first-in-kind collaboration, with a goal to avoid 15 megatonnes of carbon emissions by 2030 and to map the combination of technologies, fiscal incentives and regulatory and policy frameworks needed to decarbonize heavy industry.

We have already made significant progress, and there is still some low-hanging fruit remaining to be harvested, but with approximately 60% of our emissions resulting from the immutable chemistry of making cement, we know deep investments in innovative and expensive technologies, such as carbon capture, utilization and storage, or CCUS, are unavoidable if we are to achieve net zero.

Canada is already a leader in CCUS technologies, and the cement sector is at the heart of much of that investment, but the barriers to commercialization remain daunting. To give you an idea of the magnitude, for the capital needed to build a carbon capture plant in Canada or the U.S., a company could build two new cement facilities in China. Simply put, building a capture plant is greater than the value of the cement facility itself.

Recognizing market barriers to CCUS, governments around the world have entered the race to commercialize the technology and reap the benefits of emissions reductions and improved economic competitiveness for industry through the low-carbon transition. While Canada is off to a good start with the net-zero accelerator fund and a proposed investment tax credit for CCUS, the enactment of the Inflation Reduction Act means the U.S. has rapidly sprung ahead in the race.

The IRA introduces more than $369 billion in incentives for clean energy and climate-related program spending, including funding to encourage CCUS projects, which creates a significant risk that companies wanting to invest in emissions-reducing technology in Canada are at a competitive disadvantage vis-à-vis their U.S. counterparts. In addition to the significantly larger funding amounts offered under the IRA, one of the biggest gaps it fills is the production value gap. It provides a predictable return on investment by paying producers for each tonne of CO_2 sequestered.

In comparison, Canada's efforts have focused only on upfront capital subsidies, leaving investors exposed to unpalatable operational risks in an environment where, despite the carbon tax, the production value of captured carbon remains entirely unpredictable. In other words, investors in U.S. projects can now calculate with confidence what the long-term ROI on a CCUS project will be, making Canadian investments significantly riskier in comparison. Cement companies, like many industries in Canada, are part of large multinationals, and Canadian divisions must compete within their companies for projects.

Canada has been successful as a destination of choice for internal allocation of capital to CCUS projects and in fact is home to two of the most advanced full-scale CCUS projects in our sector—one in Edmonton and the other in the Bow Valley region of Alberta. If Canada wants to remain competitive, capital supports must be paired with a well-designed market surety mechanism, such as carbon contracts for difference, as proposed in the fall economic statement.

We welcome the federal government's commitment to seizing the opportunities provided by a net-zero economy, but thoughtful and well-designed implementation of these incentives will be needed for Canada to remain a first choice for the trillions in private capital waiting to be invested in clean technologies around the world. Budget 2023 is our next opportunity to course correct and provide Canadians with the economic and environmental benefits from the low-carbon transition. The opportunity is within our reach. We need to take it, and quickly.

Thank you.

• (1120)

The Chair: We will go to members.

We have Mr. Seeback for six minutes, please.

Mr. Kyle Seeback (Dufferin—Caledon, CPC): Thank you very much, Madam Chair.

Throughout this study, what we seem to be hearing, in my estimation, is a clash of ideologies in Canada.

Canada wants to talk about various funds. For example, we have the clean growth fund, with approximately $15 billion that companies can apply for—and may or may not get—in order to invest in technologies that are going to reduce carbon emissions, whereas the U.S. has been very clear: They have said there are going to be tax credits and production credits that are easily calculable, so you can determine exactly what you're going to get as a result.

I'm going to ask this of all the panellists here today. What would you prefer in Canada? Would you prefer to apply to a fund through the Canadian government to get some money, or would you prefer to have what was done in the United States, which is to have tax credits coupled with production credits?

I'll turn to Mr. Auer first.

Mr. Adam Auer: I think the production incentives are the missing piece of the Canadian picture. I don't want to say that the capital supports aren't useful, but in the absence of that sort of operational component—the production piece—they're not as efficient as what could be achieved with the suite of tools that could be developed using the capital investment tax credits and something like a market surety mechanism. That's especially the case for CCUS, whereby you're capturing a commodity that doesn't have any market value that's predictable in the way investors need.

Mr. Kyle Seeback: Go ahead, Ms. Green.

Ms. Jennifer Green: There are RNG projects being supported by the government through grants, but they are on a project-by-project basis. I don't see this as being a very efficient process. It really doesn't help the producers of biogas and RNG make investment decisions. That market's surety and certainty are an important element, so an ITC and a PTC would be an absolute preference for our members.

Also, the programs that tend to be one-off take a very long time to go through the process, so ultimately, certainty of market conditions is what would be best for our industry.

• (1125)

Mr. Kyle Seeback: I'll turn it over to our other witnesses now.

Mr. A. J. (Sandy) Marshall: I'll jump in here.

I agree with what the first two panellists or witnesses have said. The tax credits and the production support structures are very important for defining the return on investment on these projects so they can move forward and attract investment. I would add, though, that all of the companies we work with are earlier-stage companies, and access to capital is a significant challenge for them. When you're trying to build larger, expensive facilities that could cost tens of millions to hundreds of millions of dollars to build, access to capital for early-stage companies is a huge challenge.

The opportunity to obtain funds through things like the Canada growth fund is important to that sector as well, but access to funds through the Canada growth fund is not sufficient. There needs to be clarity in what the return on investment will be. That's better defined or can be defined through tax credits and production credits.

Mr. Kyle Seeback: Go ahead, Mr. Robertson.

Mr. Colin Robertson: I was part of the team, when we negotiated the Canada-U.S. Free Trade Agreement, that was trying to arrive at a subsidies code whereby Canada and the United States would agree on how to provide incentives. We were not successful. We punted it to what is now the World Trade Organization.

The holy grail has been trying to get a subsidies code. That would be the ideal because we have our free trade agreement with the United States and Mexico. If we could agree on a continental basis how we're going to manage incentives and subsidies, that would be the ideal, because we are now moving to that era of industrial policy for the reasons I've enumerated.

If we did that, I think it would open up the door with Europe as well. We have a free trade agreement with Europe, and if we could do that under article 24—which provides that when you have a free trade pact, you can come up with a subsidies code—that would work well with the Europeans and perhaps with the U.S. Then we also have, of course, the free trade agreement across the trans-Pacific through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

The danger we're talking about is getting involved in a gigantic subsidies war, which is already taking place. That's why we saw the Europeans in Washington last week: They're worried about what's going on. It would be best, particularly among the democracies with which we have free trade agreements, if we could come up with an agreement on how we're going to manage subsidies and incentives, because ultimately we're trying to strengthen democracies in what is seen to be an existential fight with the autocracies.

Mr. Kyle Seeback: Mr. Auer, you said we can unlock trillions in private capital. The solution to this transition is going to be unlocking the trillions in private capital.

I'm going to run out of time, but what's better for unlocking that private capital? Is it a government program or tax credits and production credits?

Mr. Adam Auer: I'm not sure I fully understand the distinction between those. They're all sort of government programs.

Mr. Kyle Seeback: I mean a program that you have to apply for, and you may or may not get some funding. As one witness here said, you might be on the naughty list or the nice list, so you get it or don't get it.

Mr. Adam Auer: I think the challenge, at least in my sector, is that the types of projects we're looking at are first-commercialization applications. CCUS has never been applied at scale at a cement facility, yet around the world, a number of projects are moving in that direction, including the two I mentioned in Canada. However, they present unique challenges because they've never been done before.

I'd go back to my original comment that all of those options—the capital supports, the investment tax credits and the production incentives—can play an important role in getting those first-commercialization technologies across the finish line. The balance between them can really determine the outcome.

One thing we believe is that de-risking operational costs through something like carbon contracts for difference or the types of incentives that exist in the IRA reduces the upfront capital risks and therefore the upfront capital supports that are required. In theory, it's a more efficient approach.

The Chair: Thank you, Mr. Auer, for your comments.

Go ahead, Mr. Arya, for six minutes, please.

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

I would like to address my first question to Mr. Colin Robertson.

Mr. Robertson, I was glad to hear you mention industrial policy three or maybe four times. I rarely hear that. I've been saying that we need an industrial policy statement for the country. The IRA is obviously one of the most significant pieces of legislation that has come out of the U.S. for the manufacturing sector and the economy in general. We can take this piece of legislation along with the $280-billion CHIPS and Science Act, $200 billion of which is for setting up 20 technology centres focusing on semiconductors, energy transition and biotechnology. Some experts in the U.S. are calling this a once-in-a-generation opportunity, or a once-in-a-lifetime change the U.S. has made to industrial policy. I'm also glad you mentioned continental industrial policy.

We talk about various strategies. For example, we recently announced the critical minerals strategy, and when it comes to new technologies such as artificial intelligence, robotics and genomics, we talk big. We have said that we want to be at the forefront of every new technology, which is good, ideally, but whether it's possible or not I'm not sure. Do you think we need a Canadian industrial policy?

● (1130)

Mr. Colin Robertson: Yes, sir, I think we do. The United States has moved to an industrial strategy, the Europeans are moving in that direction and I think Australia is too. I think we should do it, but I would try to do it in tandem with our largest trading partners. That would start on a continental basis, because the United States is very much going down that road under the Biden administration. I have no doubt that if there is another administration after Mr. Biden's, whether it's Republican or Democrat, they'll take the same approach. I think we have re-embraced industrial strategy and we should look to see how others are doing it.

Just as in regulatory reform between Canada and the United States, we'd set up a commission that basically assures we're keeping what we call the minutiae of small differences from upsetting that relationship, because again, so much of our trade is with the United States. In the case of industrial strategy and incentives, we should be looking at this together, because together we'd have a much more successful platform.

I would endorse your point about finding the sectors where we are in the lead. We're not good at everything, but we are good at some very good things, and we should really focus on our areas of competitive advantage. As I said, a number of studies have identified these areas. I pointed to the Monique Leroux report, for example, and I think it would be a good starting point. Again, a lot of the work has been done within Canada.

Mr. Chandra Arya: You mentioned that we have to look at sectors where we have some advantage. If we consider that we have an advantage in the steel sector and aluminum sector.... I'm just taking them as an example. I'm not very sure that we have the advantage there, but assuming we have an advantage in the steel and aluminum sectors, if we look at the last 15 to 20 years, hardly any new capacity has been added in these industries. All the companies in Canada are foreign-owned. They've become the branch offices of big multinational companies, and 90% of their exports go to the United States. We have free trade agreements with Europe and the Asia-Pacific region; we have free trade agreements all across the world. However, no exports are being sent from Canada—again, taking the examples of steel and aluminum—because foreign ownership hinders development of certain sectors in Canada.

What are your thoughts on that?

The Chair: Mr. Robertson, you're on mute.

Mr. Colin Robertson: Yes, sorry.

We've always sought to attract foreign investment in Canada because we don't have a big enough market for the investment we need to develop our economy, and it has worked extremely well for our economy, beginning with railways, pipelines and grids. We are also now big investors through our pension funds.

I think investment will go where it wishes, but we want to make ourselves as attractive as possible. We are an attractive destination point, and this has been shared by all governments, so I would continue to attract foreign investment to Canada. The point that some of the big companies export so much of what they produce to the United States is actually a good thing. It shows that we're scaling up to market size, and that's what we seek to achieve.

● (1135)

Mr. Chandra Arya: My point is that we have just been maintaining things for the last 15 to 20 years. We are not growing.

With my limited time, I want to note the terms you used: permanent campaign and a team Canada approach. I have been in politics for about seven years, and I understand them. I understand the importance of them in international trade, with service to the U.S. and, obviously, North America in general.

I don't want to suggest another task force, another team or another department. How do we keep a focus on this permanent campaign you mentioned?

The Chair: Can we get a brief answer?

Mr. Colin Robertson: Yes.

In my experience, it starts in the Prime Minister's Office. Under Mr. Harper and Mr. Trudeau, having a dedicated team in the Prime Minister's Office, which works with the Privy Council Office and bureaucracy, has worked extremely well.

The Chair: Thank you very much.

Go ahead, Monsieur Savard-Tremblay for six minutes, please.

[*Translation*]

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

Good morning. Thank you to all the witnesses for their opening remarks, and hello to my fellow members.

Many of the witnesses we've heard from during our meetings on this study told us that they feared a flight of capital investment to the U.S., so out of Canada.

Do you share that fear?

What can we do to prevent the flight of capital investment to our neighbour to the south?

Madam Chair, you can decide which witness answers first.

[*English*]

The Chair: Mr. Marshall, would you like to start?

Mr. A. J. (Sandy) Marshall: My apologies, but I missed that.

If flight of capital is a fear and a concern, I would think our biggest problem is the attraction of capital and the fact that we need international capital coming into Canada. If we don't have the right environment for that, we won't be able to attract capital, let alone hold on to what we have here already.

I think we've talked about the incentives or approaches we can take to attract this capital. This really comes down to creating the economic environment where these companies can be successful. Subsidies, tax credits and these sorts of tools become part of that. As other witnesses have stated already, these are all factored into the business cases for all of these projects. The projects will be built where the economics provides the best opportunity for success.

The Chair: Mr. Robertson, did you want to speak to that comment from Mr. Savard-Tremblay?

You have to unmute yourself, Mr. Robertson.

Mr. Colin Robertson: Pardon me, Chair.

I'll just say that an industrial strategy is where I think we should be headed.

The Chair: Ms. Green or Mr. Auer, would you like to comment?

Ms. Jennifer Green: Given the current conditions we're in with the IRA presenting a very different playing field for Canadian companies, the threat is very real, as member companies are able to take their manufacturing, skill sets and jobs south of the border.

One of the differentiators between the IRA and what Canada has presented in the fall economic statement, as I mentioned, is that there has been a specific call-out for the inclusion of biogas and RNG in production and incentive tax credits. With the complete lack of mention of biogas and RNG in the fall economic statement in this country, Canada is missing a tool in its tool box.

● (1140)

The Chair: Thank you.

Mr. Auer, go ahead.

Mr. Adam Auer: I support the macro view that we need an industrial decarbonization policy. The problem the IRA is trying to solve is that the market is not ready to pay for the value of the carbon reductions that come from the types of technologies being supported through the IRA. We could make net-zero cement, for example, today with carbon capture and storage, but the market would not pay for the increased costs of that cement at a magnitude that would be capable of justifying the investment.

There are a number of things we could do to close that gap. I think the production subsidies the IRA introduces are certainly one powerful mechanism. Another one would be procurement. Governments can play a leading role in helping to procure the lower-carbon goods made with these technologies and therefore start to incubate a sustainable market response.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you for all of those answers.

Mr. Robertson, you said an industrial policy was the way to respond to the measures in the IRA.

The Canadian government announced that it was working on a response, so the 2023 budget will undoubtedly include an industrial policy. In fact, the Minister of Innovation, Science and Industry announced last week that a battery strategy was in the works.

Tell us, if you would, what that policy should look like, substance-wise.

[*English*]

Mr. Colin Robertson: I think we decide what we want. Our advantage, of course, is in our strategic minerals, but for now, our strategic minerals are being sent for processing to China. I think we have to start refining and using clean-tech methods within Canada, but that's going to take some time. It's also going to take substantial investment. If we did this on a continental basis or with free trade partners in Europe—the Europeans are very interested in what have—we would be able to track the investment. That's one of the areas I'm talking about in which we have competence and capacity. Of course we have the resources, but it is going to take an effort by more than just Canada. We are going to need investment and technology from our partners in the United States and Europe.

That is one area that I hope the government will be looking at in their industrial policy, because we have a natural advantage. What I would not like to see is those vital minerals transferred to the United States or some other place for refining, because the technology and the jobs that could be created from going to the higher end are what we want to try to preserve in Canada today.

The Chair: Thank you very much.

Mr. Cannings, go ahead for six minutes, please.

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

Thanks to all of the witnesses before us today. I'm going to start with Ms. Green and will talk about renewable natural gas.

A renewable natural gas project is under way in my riding in Fruitvale. REN Energy is building a plant there. They just got their final development permit today or yesterday.

I'm wondering if you could comment on what drives those kinds of investments. This project was probably planned long before the IRA was even conceived of. Perhaps you could comment on what drives those decisions. I don't pretend to understand energy markets, but it seems that right now the price of natural gas is very different in different markets, and one of those lines is along the border with the U.S. I just want to find out how much the decisions the federal government makes and any subsidies would change things. Would these things go ahead anyway?

Ms. Jennifer Green: The current drivers in Canada are very much a patchwork. We have many provinces taking the lead right now in establishing specific mandates with respect to the percentage of renewable gas that is part of their delivery of natural gas to customers. We have seen leading jurisdictions in Quebec and British Columbia establish that type of policy.

Currently in Canada, we don't have anything of that nature federally, but as we know, to move towards reducing emissions by as many megatonnes as we can, there is a real desire to see a targeted policy for reducing emissions that looks to include low-carbon gaseous fuels.

Biogas and RNG projects have been established across the country. Some programs have specifically identified their opportunity and eligibility, and where there are no programs, we see there is less development. Many of these projects take two to five years from initial feasibility to the approvals and construction process, like the project you were speaking about. This is a significant amount of time. The point is that they don't happen overnight, so when we see changes in policy like those we have seen in the IRA, it is definitely game-changing for projects that are already in that cycle and have investigated the opportunities for investment in Canada. This disrupts the opportunities not only for future growth but also for projects that have already made commitments, so there is a substantive impact.

● (1145)

Mr. Richard Cannings: I'll turn to Mr. Auer. It's good to see you, as always.

I want to get a better sense of the cement production in Canada. Every community has a ready-mix kind of operation that creates the concrete we need, but in how many places is cement made? I'm thinking of the CCUS demands you were thinking of. How many of those kinds of plants would we need to produce in Canada to cover the production of cement?

Mr. Adam Auer: We like to say that concrete is hyperlocal while cement is more region-based. We have 14 production facilities across the country: two in British Columbia, two in Alberta, five in Ontario, four members in Quebec and one in Nova Scotia.

Geography does play a role in the viability of the technology as it stands today. Both projects that have attracted investment to date in Canada are in Alberta. I think there are a couple of obvious reasons for that. One is that there's some infrastructure to transport captured CO2, and that's already been invested in. Of course, they have 1,000 years' worth of geologic storage in that province.

Part of the challenge for the cement sector and other heavy industries will be how to overcome some of the existing geographical and geological challenges on the storage side to make technology applicable in every region in Canada and around the world. There is a lot of promising stuff happening in that vein, but this points to Mr. Robertson's comments about collaboration with other jurisdictions. The United States is making deep investments in not just the actual capture infrastructure but also all the infrastructure—the ecosystem, if you will—that's required to make CCUS work. There are opportunities for partnerships that would open the door for broader and earlier applications of CCUS across the country for our sector.

The Chair: You have 30 seconds remaining.

Mr. Richard Cannings: Mr. Auer, what's the export situation for Canadian cement going into the United States and vice versa? What's the competition?

Mr. Adam Auer: About 40% of our cement is exported to the United States. Canada has enough capacity to meet its own demands, and the U.S. does not. It imports quite a bit of its cement, and 30% of U.S. imports come from Canada.

Mr. Richard Cannings: Thank you.

The Chair: Thank you very much.

Now we'll go to Mr. Baldinelli for five minutes.

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

I'd like to thank the witnesses for being with us today.

This is essentially our last session for examining the Inflation Reduction Act. Many have described it as a game-changer. Those are not just my words. They are also those of Elizabeth Kwan of the Canadian Labour Congress, who indicated the huge impact it's going to have.

I want to follow up on my colleague Mr. Seeback's line of questioning about the IRA and the notion of providing certainty.

You know what the rules are. You know about the tax credits and the production credits, so you can actually figure out the competitive advantage to investing in the United States. Ms. Green indicated that the IRA provides certainty, a competitive edge. Mr. Marshall mentioned that lacking a stronger response, it will be almost impossible for Canada to compete.

My first question is for Ms. Green.

You indicated that projects have been on hold since August and that excluding the investment tax credit in the fall economic statement was a mistake. For example, you see situations arising from the difference between the IRA and what we do in Canada.

For the clean fuels fund, a $1.5-billion announcement from the government was made in June 2021, but it took 18 months—until November 2022—for the government to make its initial round of announcements. Even so, we still need to negotiate agreements that can be put in place. We already know what the rules in place are. You've already talked about projects being on hold.

CBC had a story the other day about Ottawa preparing to go toe to toe with the U.S. to subsidize EV battery production in Canada. Here's one of the comments that was made:

> A consultant who works on the green economy in Canada said several companies are now calculating subsidies that may be available in the United States. Even a company that already has promised to invest in Canada is reassessing the situation in light of the Inflation Reduction Act....

What do we need to do now to compete to keep those dollars in Canada and keep investments in RNG projects in my riding in southern Ontario, for example?

Just in 2020, General Motors did a $28-million project on methane gas with our local landfill company, Walker Industries. It produces 35% of their power. It produces heat for the plant and reduces their GHG emissions. What do we need to do right now so we can compete and keep that investment in Canada?

Go ahead, Ms. Green.

● (1150)

Ms. Jennifer Green: The time is now. There is no time to waste.

When we can look at the conditions that have been set up in the IRA, we know Canada has experience with investment tax credits. We have been able to look at eligible clean technologies in accelerated appreciation elements, so there are measures that Canada is familiar with. Biogas and RNG are identified in these measures, so implementing an investment and production tax credit in Canada now is critical to avoiding the movement of manufacturing and expertise to the U.S.

Our members see that. They're holding. They're taking a pause and evaluating what the landscape looks like. However, the time is now for Canada to put in place investments that can be competitive here.

Mr. Tony Baldinelli: Can we wait until the budget in March 2023, or do those decisions have to be made by the federal government now? As you've said, there are projects on hold; they're on pause. What's to stop investors from saying the climate is better in the United States right now?

Ms. Jennifer Green: I can only reiterate that members are calculating their options. The sooner Canada can move forward with these measures to provide conditions of success for Canada, the better.

Mr. Tony Baldinelli: Thank you.

I'll go to a line of questioning—

The Chair: You have 42 seconds.

Mr. Tony Baldinelli: —with Mr. Auer.

One of the core elements of the U.S. Inflation Reduction Act is an expansion of their 45Q tax credit for CCUS projects. Does the investment tax credit for those types of projects here, which is currently proposed by Finance Canada, go far enough to support projects in your industry?

Mr. Adam Auer: By itself, it's not enough, but in combination with some of the other financing mechanisms that were announced for the Canada growth fund, for example, it could be enough. The trick is that they need to be implemented quickly, as you suggest, so that we can have certainty about how both the investment tax credit for CCUS and the Canada growth fund will operate in a way that provides investor confidence.

Mr. Tony Baldinelli: We still have no certainty on the details of the Canada growth fund.

The Chair: Thank you very much, Mr. Baldinelli and Mr. Auer.

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

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

Thank you to all of the witnesses for your appearance today at the standing committee.

I'd like to direct my first question to Mr. Auer.

I was very pleased to see the work your association did for the road map to net-zero carbon concrete by 2050. How can achieving net-zero concrete help position Canada as a global leader in concrete exports? Where do you currently see the most potential for low-carbon concrete exports?

● (1155)

Mr. Adam Auer: Concrete is not typically exported. It's the cement used to make the concrete that has export potential. The technologies around the decarbonization of cement in concrete also have that export potential. Concrete is very heavy and very expensive to ship. As Mr. Cannings referenced before, it tends to be quite local because it has a shelf life. Once it's mixed, it has to be used relatively quickly. It has to be within a short truck trip, if you will, of the project.

The opportunity is twofold. For one, Canada is exporting quite a bit of cement and cement products to the United States as the United States moves very rapidly to decarbonize and as they integrate buy clean policies into how they determine they're going to use building materials like cement and concrete. We need to be cognizant of that and at least stay in step with those decarbonization achievements in the United States if we want to maintain those markets.

Of course, the other big opportunity is from technologies like CCUS that are successfully applied in a heavy manufacturing facility like that of a cement producer. With those technologies, there are economies of scale and economies that come from the learning. Those technologies will become less expensive and will be deployable by other cement facilities and other industries, ultimately going into other facilities that operate in other markets.

Mr. Wilson Miao: Thank you very much.

I'd like to direct the next question to Ms. Green.

In British Columbia, Canadian biogas currently has a number of projects, both upcoming and ongoing. Could you share anything with the committee about these projects? What sort of potential do you see for future RNG projects in British Columbia?

Ms. Jennifer Green: As I mentioned, British Columbia has been a leader in promoting biogas and renewable natural gas. The projects they currently have in operation span from agricultural projects to municipal projects looking at waste water and landfills. There's quite a variety in the supply and diversification of projects in British Columbia.

Again, the driver in B.C. has been their alignment of energy and climate policy, predominantly driven by their CleanBC plan. Within that, they've had some very forward-thinking considerations for looking at how to implement renewable gases as part of their supply to hit low-carbon targets. British Columbia has definitely been a leader in this space across Canada.

Mr. Wilson Miao: Thank you, Ms. Green.

The next question I'd like to direct to Mr. Marshall.

I understand that BIC has signed a number of MOUs with companies around the world in countries like Italy and Belgium. Could you tell the committee a bit more about these MOUs, the benefits they provide and how they can help to build a stronger bioeconomy at home or internationally?

Mr. A. J. (Sandy) Marshall: As you mentioned, we have a number of MOUs with organizations around the world, particularly in Europe. What these MOUs do is help us develop relationships with organizations that are like-minded and that are focused on developing early-stage companies and technologies within the industrial bioeconomy. By working with these groups, we've been able to attract interest for projects coming to Canada from Europe. We've also been able to work with our companies in Canada to give them opportunities to connect to Europe.

The prime benefit here is to build a bigger network so that we can support early-stage companies and help them commercialize and grow wherever it is best for them. That's really the strength of those MOUs.

We also have a number of MOUs across Canada. We're working with economic development aid organizations currently in Quebec in the Trois-Rivières and Bécancour region, which is a very similar region to our cluster region in Sarnia-Lambton. It's a very traditional chemical region that has the opportunity to be a real cluster and anchor for the development of the industrial bioeconomy. This allows us to accelerate these technologies forward. However, there's only so much we can do with our resources and small investment funds. That's why it's very important that we have a number of the tools we've discussed today and that they're available for moving these early-stage companies and technologies forward.

● (1200)

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

We'll move along to Monsieur Savard-Tremblay for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Mr. Robertson, you said in your last answer that we needed to make sure critical minerals weren't sent to the U.S. How would you describe our relationship with the U.S. in that area? It seems to be somewhat adversarial.

On one hand, the Canadian government signed an agreement with the U.S. government, under President Biden, to achieve a self-sufficient electric vehicle battery supply chain. On the other hand, the U.S. has policies such as the IRA and the previous infrastructure bill, which included an incentive for assembled vehicles. Luckily, changes were made to the incentive, so that it now applies to all vehicles manufactured in North America, not just in the U.S., as was the case previously.

How should we deal with our American partner? Should we deal with the U.S. as a partner first?

[*English*]

Mr. Colin Robertson: Yes, we should deal with the United States as a partner. We have preferred access to the United States. As you have noted, we have a whole series of entrees into the United States, the best entrees of any country in the world. In fact, we are in an envious position, although we don't always feel that sometimes because, as I pointed out in my testimony, we are often collateral damage to American actions aimed at another country—more recently, China, for example, in the case of steel and aluminum tariffs.

My argument is that for us it's a daily, permanent campaign involving not just our embassy but also members of this committee going down to see their counterparts. When we make the case for Canada with our counterparts in the United States, most of the time we are successful. Again, the business of America is business. They like us and understand us, and we can make a compelling case as to why we do things on a mutually beneficial basis. I used the word "reciprocity" for good reason: Americans aren't free traders, but they do understand the principle of reciprocity, and that's what we've basically managed to do over the past 40 years.

These agreements, to go back to my point, are based on the premise of partnership. The province that has often taken the lead in this is Quebec, quite successfully, with successive premiers going down to and working in the United States market.

The Chair: Thank you very much.

Go ahead, Mr. Cannings, for two and a half minutes.

Mr. Richard Cannings: Thank you.

I'm going to turn to Mr. Auer now.

We often hear in this place that industry needs certainty. A couple of times you've mentioned carbon contracts for a difference. One thing that concept would bring is certainty to industry.

Could you expand on that with regard to the cement industry and perhaps also talk about border adjustments given we have Canadian companies paying a carbon tax and American companies that aren't?

Mr. Adam Auer: Those are two very big questions.

Effectively, carbon contracts for difference are forms of production subsidies. They guarantee that the value of, for example, the carbon sequestration from a carbon capture project will be backstopped by the government.

In Canada, we obviously have a carbon pricing system. Presuming that system has longevity into the future and that the price increases as predicted, it will create a certain value for carbon. However, that carbon is not really known because this is not just about the regulated price. The voluntary markets and credit markets also determine the value of carbon as a tradable commodity.

A carbon contract for difference would eliminate that uncertainty by having the government be the holder of the contract guarantee. If the market does not deliver a certain strike value—one required to make a project investable—the government will provide the shortfall. Conversely, if the market outperforms, the government could end up actually receiving money, depending on the structure of the contracts. Effectively, this allows investors to do what they can now do in the United States: calculate the return on investment for any given project in that space.

On the border carbon adjustment piece, we will ultimately get to a point where that becomes a necessary and important tool. I understand that the EU, after much negotiation, finally agreed to a border carbon adjustment for a limited number of commodities, including cement. Certainly, we see it as a potentially important tool when it comes to protecting the competitiveness of our sector from imports from jurisdictions that don't have similar carbon pricing pressures.

● (1205)

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

We now have Mr. Martel for five minutes.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you.

Thank you to all the witnesses for being here.

I want to talk about critical minerals. I am, of course, pushing to have phosphate added to the critical minerals list, mainly because of lithium iron phosphate batteries. The response I get from the people at the Minister of Natural Resources' office is that public servants review the list every two or three years, and that nothing can happen until then.

Wouldn't you say that amounts to a lack of leadership and flexibility, Mr. Robertson? I'd like to hear your thoughts.

[*English*]

Mr. Colin Robertson: I'm not familiar with how the list is devised, but two or three years seems rather extreme.

Again, pressure from parliamentarians usually has an effect on bureaucrats, who may have a means of doing things. In my experience, they respond appropriately. So too do elected representatives making the case.

[*Translation*]

Mr. Richard Martel: My next question is for you, Ms. Green.

When the fall economic statement came out, your association called it a step in the right direction, but said that a lot more work was needed to close the gap created by the IRA.

What does Canada need to do to close the gap? An effort like that would probably make Canada more attractive to foreign investors.

[*English*]

Ms. Jennifer Green: As I mentioned, the oversight of biogas and RNG in the fall economic statement, as part of the suite of clean technologies in the investment tax credit, was significant for our members. It was noticed. We received a lot of feedback on that.

Generally, as mentioned already, for Canada to step forward with a response that looks at measures similar to an investment or production tax credit, it has to establish those as soon as possible. This would create the conditions, as we heard today, that can make the North American market an attractive market for investment. When we can see some commonality in our support for clean technologies, it is very positive. If we don't have alignment, it will create more of a patchwork approach and more confusion for any foreign investment.

[*Translation*]

Mr. Richard Martel: That's an interesting point.

Ms. Green, you said that Canada didn't have time on its side, when it came to closing the gap created by the IRA.

Why is it that Canada is so behind? Why are we always trailing behind our neighbour to the south? They say it's never too late, but is that really true? Can we still do anything to make up the ground we've lost?

[*English*]

Ms. Jennifer Green: I think the discussion we're having as part of this study is a testament to the interest of this group. It's never too late. We will be looking at where our investments can best be placed for our biogas and RNG projects.

I believe we very much have a dichotomy right now. We need to move quickly to provide provisions that can attract as much investment to Canada as we can.

● (1210)

[*Translation*]

Mr. Richard Martel: Again—

[*English*]

The Chair: Please keep it very short.

[*Translation*]

Mr. Richard Martel: I don't know whether I'll be able to keep my next question short.

How many seconds do I have left?

[*English*]

The Chair: You have 35 seconds.

[*Translation*]

Mr. Richard Martel: On November 18, Ms. Green, a Parkland Corporation executive stressed that, when compared with their U.S. counterparts, Canadian producers of biofuels and low-carbon fuels were currently at a competitive disadvantage because of imbalances between government incentives in the two jurisdictions. He said he did not think that Canada had any comparable incentives at this time.

What impact could the IRA have on Canadian producers of biofuels and low-carbon fuels?

[*English*]

The Chair: You got the question in, Mr. Martel, but now we have no time for the answer.

Can we possibly get a very brief answer?

Mr. Richard Martel: Make it short and sweet.

Ms. Jennifer Green: I'd be happy to provide a follow-up to the committee to accommodate you.

The Chair: That's wonderful, Ms. Green. Thank you very much. We appreciate that.

Mr. Richard Martel: Thank you very much.

The Chair: Ms. Dhillon, you have five minutes, please.

Ms. Anju Dhillon (Dorval—Lachine—LaSalle, Lib.): Thank you, Madam Chair, and thank you to our witnesses for being here.

I'll start with you, Mr. Auer.

With both the domestic and global use of concrete and cement continuing to rapidly increase, what steps are being taken by the Cement Association of Canada to ensure that you can continue to meet production needs? How do you think our government could help you in doing so?

Mr. Adam Auer: We have already put in place a unique collaboration with the government through the Department of Innovation, Science and Economic Development to develop a road map to net zero, which is, as I think you're suggesting, a critical step to maintaining competitiveness in our sector in a global economy that is rapidly decarbonizing and rapidly putting significant scrutiny on heavy-emitting sectors such as ours. I think it's the tools we're talking about today that will attract foreign investment into our industry in Canada. They will play a critical role in positioning our sector here in Canada to continue to thrive.

Ms. Anju Dhillon: That's perfect. Thank you.

Madam Green, how can renewable gas play a role in such sectors as industry and freight, which are typically considered more difficult to decarbonize?

Ms. Jennifer Green: Biogas and renewable natural gas provide multi-faceted uses as energy sources and fuels. RNG is currently being used as a form of transportation fuel—a drop-in transportation fuel for fleets that have converted from diesel to compressed natural gas.

In the industrial sector, we also see a play for renewable natural gas to be used as a feedstock in industrial processes. In that way, we're seeing opportunities for the decarbonization of industrial processes by the use of RNG.

Ms. Anju Dhillon: That's perfect. Thank you so much.

Mr. Robertson, on the topic of the U.S. mid-term election, how could mid-term election results affect President Biden's ability to introduce bills similar to the IRA? Do you anticipate that this is something he could do?

Mr. Colin Robertson: Well, it's going to be more difficult now with the House in Republican hands, because I think you're going to see the Republicans launch a series of investigations into Hunter Biden and the retreat from Afghanistan. I don't think they have any interest in giving President Biden any more legislative achievements as we move towards 2024. Effectively, that campaign has begun, as we've seen with former president Trump making his declaration.

I think it's going to be a bit difficult for the administration to achieve new, big legislative packages—not impossible, but difficult.

Ms. Anju Dhillon: What do you believe we could do to help alleviate that situation or to facilitate it in any way?

Mr. Colin Robertson: Well, our interest is always basically to prevent actions that could do harm to Canada. A lack of legislative action probably means that we end up with the status quo, but it does not reduce my argument that we should be making the case every day—including by having members of Parliament go down to Washington to see their counterparts—that Canada and the United States working together is a much more effective partnership than the U.S. taking actions that cause Canadians harm, whether they intend it or not.

● (1215)

Ms. Anju Dhillon: Thank you for that.

Would you like to add anything, Mr. Auer or Madam Green?

Ms. Jennifer Green: Not at this time, no.

Ms. Anju Dhillon: Thank you so much.

The Chair: Thank you very much.

We'll have Mr. Carrie for five minutes, please.

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

I would like to get some comments on preferences. I'm going to give an example.

On June 21, 2021, Minister O'Regan launched a call for proposals under the $1.5-billion clean fuels fund. Minister Wilkinson announced some of the potential recipients on November 14, 2022. For just this program, if somebody applies to it and gets a positive response 16 months later, they still have to negotiate the contracts. I'm very concerned about the delays in Canada's response to the IRA.

In the Durham Region, we have St. Marys Cement, a great company and a great employer. As you know, these companies—your members—are international. They can do their work anywhere. American firms, because of the certainty in the United States, are already ordering the big equipment to make these projects. Given the concern with supply chains around the world, if we don't get our act together and if we're waiting until the budget maybe in April.... We had a great opportunity in November to give certainty.

We are up against the biggest competitive disadvantage we've ever seen. We hear comments like what Mr. Robertson said: that we need to get our own act together. We've heard that we should stop the self-inflicted wounds with the naughty or nice list that the government tends to have.

Mr. Auer, maybe you could explain what a reasonable response would be right now and what message the Canadian government could give out to industry as a response to the IRA. How quickly should we put it in place? Also, what suite of policy instruments should we be considering right now?

My concern is that decisions are being made now. There are shovels in the ground in the United States, and if we're waiting another three, four or five months to get this certainty out—if it's even in the budget in the spring—we'll be losing probably the greatest potential investments—generational investments—that we could ever have.

Could you give us an idea of what we need to do now?

Mr. Adam Auer: I think we have the right suite of instruments on the table, but you're absolutely right: It needs to happen very quickly, and it needs to happen with a level of ambition that matches what the U.S. has done with the IRA.

Canada has a perennial problem around ambition. This is not a new thing that we face here in Canada. We're often very good at getting things started, with excellent R and D in the decarbonization space, health care and all sorts of other fields, but we've always really struggled with the leap from taking that knowledge and expertise and commercializing it to our economic advantage. That's certainly what's at stake in the low-carbon space.

As an industry, we will get to net zero by 2050. That is our global commitment. The question is, how much of a slice of the technology pie will we develop here in Canada and will we do it first? Will we lead or will we follow? I think that's what's ultimately at stake. Speed and ambition are key if we want to lead.

Mr. Colin Carrie: I think the concern, as you mentioned in your opening statement, is that for your industry in Canada it's 1.5% of carbon emissions, but globally it's 7%. Your industry has already done a lot. In talking to stakeholders and understanding the competitive situation here in Canada, we need to send the message out sooner rather than later.

As MP Dhillon mentioned, given the changes in the United States, if I'm a company and I have to make these decisions, I know that what I have right now in the United States is certainty. In Canada, we don't have certainty.

Ms. Green, are you able to tell us what we can do as parliamentarians to help the government send signals to industry that we're still a good place to do business? What can we tell industry so that they don't make these decisions now but give us a bit of time to make sure we have competitive opportunities here in Canada?

● (1220)

Ms. Jennifer Green: I believe commitments were made in budget 2022, which preceded both the IRA and the fall economic statement. I think it's about making whole on those commitments and ensuring that we run to the end of the calendar year with some reflection on those pieces. There's the Canada growth fund, for example. While it's another program, specific details with respect to the elements of that program are still unclear and could be provided.

You should be able to take lessons from other programs, which you have mentioned, that have taken quite a lengthy time to set up. When you move forward with the Canada growth fund, you should not repeat those mistakes and should make future programs as efficient as possible.

I think there is still time to advance and make clarity for the industry and for investment in Canada.

The Chair: Thank you very much, Ms. Green.

Mr. Virani, you have five minutes, please.

Mr. Arif Virani (Parkdale—High Park, Lib.): Thank you very much, Madam Chair.

Let's start with Mr. Auer.

First of all, I want to say thank you for your and your organization's participation in the road map to net-zero carbon concrete by 2050. This is an important initiative.

You were having a discussion with Mr. Cannings about things such as carbon border adjustments, for example. You mentioned issues with ensuring that entities or industries such as yours are protected from potential competition from jurisdictions where there isn't a carbon price.

I want to get your response on two things. One is the broader issue that a carbon price is actually an economic lever that's designed to spur innovation. If you don't act to reduce the amount of the carbon footprint, there's a financial hit. The other is the output-based pricing mechanism, which is a sensitive aspect of the carbon price that I feel not a lot of Canadians fully understand. It's meant to protect industries such as yours—which are trade-exposed and operate at large volumes—from a straightforward application of the carbon price. It's calibrated based on the amount of business you are doing overseas.

Can you comment on those two aspects of the carbon price, please?

Mr. Adam Auer: The cement sector, as you suggest, is an emission-intensive, trade-exposed sector. In fact, in the federal analyses, it has consistently been in the top three of the most emissions-intensive trade sectors. There is a recognition that our industry is uniquely exposed to the potential downside risks of costs like a carbon tax if our competing markets don't bear the same costs.

The output-based pricing system and all the provincial equivalents, except for the system in British Columbia, have provisions to provide a certain measure of protection to industries such as ours. We believe that in those output-based systems—which, as I said, exist everywhere except British Columbia—we have struck a pretty good balance in the short term.

As for the challenges, we're now entering the next compliance period under the federal system and, by extension, the provincial systems, so there is upward pressure on the price and downward pressure on the benchmarks that we have to meet. At a certain point, if industries are no longer able to stay ahead of what their compliance obligations are under our carbon pricing regime, competitiveness risks will start to come to bear.

The relationship between that and the IRA, of course, is that as an industry we want to stay as far ahead of that curve as we possibly we can. Transformative technologies will be required to get us to net zero and ultimately to make good on the incentives provided by carbon pricing and other measures. The Inflation Reduction Act effectively makes those transformative investments more attractive in the U.S. right now.

Mr. Arif Virani: Thanks.

I'm going to direct my next question to Mr. Robertson.

There has been a lot of discussion from a number of members here about EVs and batteries, and not just about critical minerals coming out of the ground in Canada, but also about them being refined, processed and turned into batteries right here in Canada. People were asking you about tax credits and other incentives.

Mr. Robertson, could you comment on the lay of the land, not just at the federal level but at the provincial level? I, for one, have some concerns that significant tax credits have been removed at the provincial level, particularly in my home province of Ontario.

How does that diminish demand for EVs in provinces like Ontario and for the batteries that could potentially be produced in Canada for those cars? Could you comment on that, Mr. Robertson?

● (1225)

Mr. Colin Robertson: In Canada, we strive to make Canada a place where we have a competitive advantage. We have the skilled workforce. There are many factors that go into deciding what you're going to do, and incentives are a piece of that but not all of it.

While that is an important piece, what is in many ways more important is whether you have the resources. Do you have the know-how to do it? Do you have the workforce to do it? The investments we make in education, in worker training and in the technology to allow us to do these things are just as important in many ways as the incentives for anything.

There are many factors involved in what we're talking about, but we have natural advantages in Canada and they usually extend to our resources and workforce.

Mr. Arif Virani: Thank you.

The Chair: Thank you very much.

Go ahead, Mr. Savard-Tremblay, for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: If you don't mind, Mr. Robertson, I'd like to pick up where we left off.

When we ran out of time earlier, you were saying that we should keep making the case to our U.S. counterparts that, in order to achieve their aims, Canada shouldn't be collateral damage in their war against China. When I look at other actions, though, mainly the U.S.'s introduction of punitive tariffs on softwood lumber and aluminum, Canada isn't at all seen as a victim of collateral damage of those actions.

Correct me if I'm wrong—and you, yourself, said it earlier—but the new makeup of Congress is going to make things difficult for President Biden's administration. It seems that protectionism is sometimes used as a partisan weapon, unfortunately.

Would you say that's an accurate assessment of the situation?

[*English*]

Mr. Colin Robertson: Protectionism is shared by both parties. It used to be primarily in the Democratic Party, but with Mr. Trump, it has now extended into the Republican Party, so there are protectionists on both sides of the aisle.

For that reason, we have to make the case in the United States—again with the team Canada effort I talk about—on a daily basis that the relationship with Canada works to their advantage. That involves going there, meeting with each member of Congress and pointing out what Canadian investment and Canadian trade do, because in most cases we are their largest trading partner.

We don't have money or votes, but we can talk jobs. We are creating an awful lot of jobs in the United States, and that's what gets you a hearing with members of Congress. That usually convinces them to leave this relationship as is.

Again, you have to do it on a daily basis because the Americans don't appreciate that.

The Chair: You have 20 seconds left.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I'll use the 20 seconds I have left to simply thank you, Mr. Robertson.

Thank you, as well, to all the witnesses.

[*English*]

The Chair: Go ahead, Mr. Cannings, for two and a half minutes.

Mr. Richard Cannings: Thank you.

Is Mr. Marshall still with us? I don't see him on the screen.

The Chair: Apparently Mr. Marshall has problems with his Internet connection. We've been trying to reconnect him for the last five minutes or so.

Mr. Richard Cannings: Okay. Then I'll turn to Mr. Robertson and ask him the same question.

Mr. Marshall mentioned that the IRA builds on other existing programs in the United States, and I just want someone to perhaps expand on that. What other advantages were there before the IRA came in? How does Canada stack up against those other programs?

Mr. Colin Robertson: The big legislative package that came before the IRA was of course the CHIPS and Science Act, which also has a lot of incentives, particularly targeted to encourage the development of the semiconductor industry in the United States with other tangential technological investments.

This is a trend we're going to see. The IRA is not the last of these kinds of programs, and it may be one area on which the Democrats and the Republicans can agree. I said earlier that I don't think we're going to see big legislative achievements, but one area in which the Republicans and the Democrats are in agreement is how America is best able to counter China. You can fashion legislation in that regard, which will inevitably include incentives, because we're going to see more of that and should just be prepared for it.

Again, as I pointed out, Americans have practised protectionism since the founding of the republic.

● (1230)

Mr. Richard Cannings: I was going to ask you about that again. If there are proposals in the United States that advance protectionism legislation, they may go ahead.

Mr. Colin Robertson: Yes, sir. You'll see this not just at the national level. You'll also see states practising what we call buy America.

Again, this underlines why we should, effectively, go down and remind Americans why they would want to put “North” in front of “America” when they say “buy America”—so “buy North America”—and include Canada and Mexico. We've created this remarkably effective continental platform. We have resources, we have investment, we have the workforce and we have the market. That is a compelling argument that very senior Americans on both sides of the aisle also accept. Again, it's a message we have to keep delivering. In my experience, it's most effectively delivered by politicians to politicians.

I was a diplomat in Washington and at our consulates. When I had Canadian members of Parliament or Canadian legislators from the provinces come down, I found that was very effective, because you talk the same language and you have an instant hearing with your American counterparts.

The Chair: Mr. Robertson, certainly committee travel is an important part of the comments you're making about that relationship. Thank you for saying that.

We'll move on to Mr. Seeback for two minutes.

Mr. Kyle Seeback: Thank you, Madam Chair.

I want to go back to what Mr. Carrie was briefly talking about: applications for the $1.5-billion clean fuels fund, a program announced in June 2021. Successful applicants were notified on November 14, 2022. That's 17 months later.

I want to get a sense of this from people in business. We've heard so much about businesses wanting certainty, especially with respect to what's going on with the IRA, because there's certainty in what the U.S. has. Would you consider a 17-month process to award some funds something that businesses would say is “certainty”?

That's for Ms. Green or Mr. Auer.

Mr. Adam Auer: Depending on the scale of the project, obviously some due diligence is necessary and welcome, but my industry is not involved in that particular fund. There are others, like the net-zero accelerator. Speed and administrative burden are important considerations in the certainty conversation.

Ms. Jennifer Green: I would simply add that the pace of doing business has to be well understood in the development of these programs as they continue through their stages. We have members who have been brought through some of these programs, and they have been delaying projects on the ground, so—

Mr. Kyle Seeback: I have very little time.

The Canada growth fund was announced, to an extent, in response to the IRA. If it takes 17 months for an application to be processed, how damaging will that be for Canadian industries in the face of the IRA?

Ms. Jennifer Green: My point is that we have learned lessons from existing programs that should be well understood, and issues should not be brought forward into the new programs or new funds being created.

The Chair: Thank you very much.

We have Mr. Virani for two minutes.

Mr. Arif Virani: Thank you, Madam Chair.

I want to start with Mr. Robertson. Any other panellist who wants to can chime in as well.

We've been talking about the critical minerals component, and you'll be aware that Minister Wilkinson launched the critical minerals strategy within the last seven to 10 days. The fall economic statement, or Bill C-32, which we were just voting on a few days ago, talks about an increase in the mineral exploration tax credit, with the rate going from 15% to 30%.

Is that an appropriate baseline for the rate to be set at? Do you think there's room for further improvement to harness exactly what we've been talking about, which is competing with the Chinas of the world in the race for critical minerals? Does this also include capitalizing on not just extracting them but also getting to the point where we're processing, refining and even manufacturing batteries themselves here in Canada?

I'll start with Mr. Robertson, and then if anyone else wants to chime in, they can. Thanks.

● (1235)

Mr. Colin Robertson: While I can't comment on the specifics, I can say that we have to constantly re-examine our competitive tax advantages within Canada involving the various levels of government, whether we're talking federal, provincial or municipal.

The Chair: Thank you very much.

Thank you to our witnesses for that very valuable information. We look forward to further discussions in 2023 on this important topic.

We will suspend. We need to go in camera for committee business.

[*Proceedings continue in camera*]