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• (1630)

[English]

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

Welcome to meeting number 133 of the Standing Committee on International Trade.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, May 23, 2024, the committee is resuming its study of the trade impacts of Canada's leadership in reducing emissions.

We have with us today, from the Aluminium Association of Canada, Jean Simard, president and chief executive officer, by video conference; from the Canadian Climate Institute, Dave Sawyer, principal economist; and from the Canadian Labour Congress, Elizabeth Kwan, senior researcher. Welcome to you all.

We will start with opening remarks.

Mr. Simard, I invite you to take the floor for up to five minutes, please.

[Translation]

Mr. Jean Simard (President and Chief Executive Officer, Aluminium Association of Canada): Thank you, Madam Chair.

The Canadian primary aluminum industry in Quebec and British Columbia produces 3.2 million tonnes of metal, while having one of the lowest carbon footprints in the world.

From the very beginning, we have supported the carbon pricing mechanisms put in place in Canada, the cap-and-trade system in Quebec, better known as SPEDE, and the taxation mechanism in British Columbia. We also recognize the value of the federal system, although we are not subject to it, since all of our activities are covered by the provincial systems I just mentioned.

Indeed, the federal system is the mandatory benchmark used by provinces seeking to set up an equivalent system in their jurisdictions. It is also the only benchmark used by carbon adjustment mechanisms at the border of foreign countries to evaluate products imported from international suppliers, as only national schemes are recognized right now.

Our reduced footprint is a significant competitive advantage in a world that is increasingly and rapidly moving towards decarbonization, whether in America, for example, or Europe.

In the short term, however, we are not seeing this benefit due to the implementation of the European Carbon Border Adjustment Mechanism, better known as CBAM, since it currently recognizes only scope 1 emissions from industrial processes. Since the global aluminum industry uses the same process, all manufacturers have the same footprint. It's only when we look at scope 2 emissions, i.e., emissions from the energy source, that our competitive advantage conferred by our energy source comes into play.

It's also important to remember that, apart from small volumes sold to Europe, more than 90% of our exports are destined for the U.S. market, which is clearly not about to implement such a mechanism.

So we have to face competition from regions of the world where there is no national carbon pricing mechanism, and therefore no additional costs associated with such requirements.

Our sector has been dealing with the realities of this market dynamic and the existing systems in Canada since 2013. Those are two fundamental factors in our competitiveness analysis.

Another advantage of the current mechanism in place is that there is a fundamental incentive to maintain our reductions over time, due to the fact that the provincial mechanisms are pegged to the national one.

In closing, we want to underline the paradox that the Canadian aluminum industry is now facing and that you must absolutely take into account.

We need to maintain carbon pricing for the reasons I just outlined, as our low carbon footprint is linked to the significant challenge we face. Unlike our competitors elsewhere in the world, who are facing the challenge of the energy transition from coal or natural gas to renewables, for example, we are facing an industrial transition of unprecedented magnitude. We need to develop and implement so-called disruptive technologies on an industrial scale. These technologies, which are still at the research and development stage, will change the way aluminum is produced and allow us to get from two tonnes of emissions to zero.

As the Canadian mechanism and related regulations evolve, we must find the sweet spot that allows us to maintain our competitiveness and recognizes our carbon advantage in terms of emissions levels, while keeping us on a realistic reduction path over time and taking into account the time required to deploy and implement new technologies.

Thank you.

[English]

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

Mr. Sawyer, you have five minutes.

Mr. Dave Sawyer (Principal Economist, Canadian Climate Institute): Thank you for the opportunity to address the committee today.

My remarks will focus on the rising risks of border carbon adjustments and the role of Canadian carbon pricing systems, or large emitter trading systems. They are trading markets, after all, and they're designed to reduce costs through trading. They're markets, basically. These systems are an effective shield, I'm going to argue, and there's a need for stronger federal-provincial coordination to put our best foot forward to coordinate action to minimize costs on industry and reduce risk.

I'm the principal economist with the Canadian Climate Institute. I've run EnviroEconomics, a small consultancy, for decades. I'm a commissioner with the Canadian Commission on Carbon Competitiveness, and I've worked with most governments on designing large industrial emitter systems, so I understand how they operate and what they're trying to do at a practical level.

BCAs are a growing risk to Canadian exports. BCAs are rapidly reshaping global trade, as you've heard a lot. Mechanisms like the EU's CBAM and the U.S.-proposed PROVE IT act all represent a growing trend towards linking climate policy and trade policy. While these measures aim to reduce carbon leakage and level the playing field, they present growing risks to Canada's very export-oriented economy. We do very well through open trade, don't we?

What do these risks look like?

Currently under CBAM, we figure that about \$64 million in tariffs is likely to be levied against about \$3 billion and change of exports going into the EU. This is across 81 product groups and represents a cost increase of about 1.6% against the value of exports. It doesn't look like a significant risk now, but that risk jumps significantly with our roughly \$30 billion in trade with the EU, raising potential costs—if everything gets covered—to about \$1 billion in tariffs looking out into the future. It's not small at all.

The proposed U.S. PROVE IT act could take an even broader perspective here by assessing the GHG intensity of a broader suite of commodities. We're looking at about 200 products—about 180 products listed in the bipartisan PROVE IT act—covering about 30% of our trade or more. It's really hard to nail down, but when you look at the product categories, it's about \$30 billion in trade.

If the PROVE IT act pushes forward, there will be a lot of regulatory red tape on disclosing emission intensity for a big chunk of our exports, including aluminum, crude, fertilizers and critical minerals. Importantly, the act expands coverage to manufactured commodities—not just the raw steel, but the steel products, and not just the raw clinker, but cement products. It's fairly significant in its scope. This evolving landscape underscores the need for Canada to respond strategically, basically, to protect industries, maintain market access and reduce risks.

The large industrial emitter programs—the large emitter trading systems—are a shield against these tariffs. Despite these challenges, Canada has a significant advantage in these systems. Programs like Alberta's TIER program, the federal output-based pricing system and all the provincial and territorial systems across the country are there, and they can protect against punitive charges.

Why are they a good shield?

First, these federal-provincial systems are designed to impose only a modest cost. We've done a whole bunch of work on that, and you can look at our website and see what the average costs are for industry. They're not that significant. I'm happy to talk about that later. Yes, there are costs, but they're not off the charts.

Second, many sectors benefit through saleable credits. These systems are designed to help the large emitters. They're given generous credits, which are saleable. In a lot of cases, industry is making more than they're having to pay, so it's not just a bad-news story for everybody.

Finally, they're reducing emissions. They're doing their job. Yes, they need tweaks, and yes, they can be improved, but it's a continuous improvement process we see rolling forward.

The balance between reducing emissions and maintaining competitiveness is a core strength of Canada's approach, and it's essential that foreign trading partners and policy-makers in other countries come to understand what we're doing in our country with these programs.

I'm going to speak to federal-provincial policy coordination and how it can reduce the risk.

While the large emitter trading systems provide a strong foundation, there's more work to do. To maximize the effectiveness of these programs and mitigate the risks posed by the BCAs, Canada needs better coordinated action. I know we're in a federation and I know we're fragmented, but it's trade and industry.

What does that look like?

● (1635)

First, it's unified data and messaging—the nuts and bolts of the systems. What does that look like? Governments have a role here to highlight that to our partners. Canada must present clear, consistent data about our systems and the costs industries are already paying. This helps trading partners understand what we're doing and the costs we're imposing.

The Chair: Could you please close, Mr. Sawyer?

Mr. Dave Sawyer: In closing, BCAs reflect a broader shift in global trade dynamics, linking climate policy with economic competitiveness. While these mechanisms present risks, Canada's large emitter systems are an effective shield. To avoid these risks and fully capitalize on opportunities, we need more proactive engagement from industry.

Thank you.

The Chair: Thank you very much.

Ms. Kwan, you have five minutes.

Ms. Elizabeth Kwan (Senior Researcher, Canadian Labour Congress): Good afternoon, Madam Chair and committee members. Thank you for the opportunity to present to you today.

I'm Elizabeth Kwan, senior researcher with the Canadian Labour Congress. I'm also the co-chair of the Canadian CETA domestic advisory group for labour. The Canadian Labour Congress is the largest labour organization in Canada, bringing together dozens of national and international unions, provincial and territorial federations of labour, and community-based labour councils. We represent more than three million workers in this country.

I'm going to start with six recommendations that I would like to present to the committee.

First, the government should develop and implement a robust, pro-worker industrial strategy and a Canadian border carbon adjustment—or BCA—mechanism as part of a broader strategy to build up Canada's industrial base, foster innovation and create an environment where good unionized jobs can thrive.

Second, as part of this industrial strategy, the government should strategically build up a downstream economy that adds value to the production of goods, shifting away from exporting raw and semi-processed goods.

The third recommendation is that government actions and investments be established to support workers in labour force adjustment from the uncertainties of trade with the U.S. and the shift to a sustainable, low-carbon economy.

Fourth, the government should commit to accelerating the establishment and implementation of a Canadian BCA as a tool to level the playing field between Canada and other like-minded countries in trade and as one of the tools to reach Canada's climate targets.

Fifth, the government should publish a “what we heard” report on the input from stakeholders from the 2021 consultation on BCAs no later than April 1, 2025.

Lastly, the government should commit to developing a Canadian BCA mechanism that aligns with the EU's carbon border adjustment mechanism—or CBAM—and should conduct public stakeholder consultations on the new Canadian BCA mechanism in 2025.

People across Canada and across the globe are experiencing the unprecedented impacts of climate change in their work and their everyday lives. Many countries around the globe are racing to transition to a low-carbon economy. Our economy must adapt and be

positioned to take advantage of the massive industrial and economic opportunities that come with the global shift to a low-carbon economy.

How do we take advantage of the current situation in the world of trade?

As we all know, the U.S. is Canada's top trading partner, accounting for 77% of total Canadian exports. However, there are many uncertainties that lie ahead for Canada's trade with the U.S., with the threat of tariffs of 10% to 25% and a call to move quickly on the renegotiation of CUSMA. We know that the new Trump administration will retreat from various climate change solutions. The response from Canada must be strong. We must all work together to protect Canada's interests and clearly prioritize the interests of workers, their families and their communities.

At the same time, the European Union, with its 27 member states, is Canada's second-largest trading partner. Since 2017, when CETA entered into force provisionally, the EU has enjoyed trade surpluses for goods, while Canada has experienced trade deficits that have continued to widen over time.

Here is the opportunity to develop a robust industrial strategy that diversifies the economy and Canada's trading partners, and includes a pro-worker agenda in the transition to a low-carbon economy more quickly. The carbon border adjustment mechanism is a trade tool to get us there. A BCA is a fair, predictable mechanism that keeps Canadian companies competitive and keeps good jobs in our communities.

Our EU counterparts have expressed to me, as the co-chair of the Canadian CETA domestic advisory group for labour, their keen interest in clean products from Canada because of our high labour and environment standards. One of the immediate government priorities must be to urgently develop a Canadian BCA that aligns with the CBAMs of the EU and the U.K. This will open doors to more trade and more good-paying jobs. There is no doubt that a Canadian BCA will benefit Canada's trading relationships with the EU, the U.K. and other like-minded, low-carbon economies.

Thank you very much.

● (1640)

The Chair: Thank you very much.

We'll go on to questions from members.

Mr. Martel, you have six minutes.

[*Translation*]

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

Thank you to the witnesses for being with us today. I'd also like to thank Mr. Simard for being with us, whom I've had the opportunity to meet on a number of occasions. All very interesting.

Mr. Simard, I've often heard you say that Canada produces metal responsibly and has the lowest carbon footprint in the world. I'd like to know what impact the carbon tax has had on the competitiveness of the Canadian aluminum industry.

Mr. Jean Simard: I believe what you're referring to is the carbon pricing system in Quebec and the carbon tax in British Columbia.

As I mentioned, we are big supporters of these carbon pricing schemes, which favour emissions reduction initiatives and make us more competitive with the rest of the world over the long term. Our industry has reduced emissions by 36% while doubling capacity, making it a model for all of Canada in terms of emissions reduction. In fact, we already met the Canadian 2020 target 10 years ago. So we're very comfortable with this framework, which gives us a huge advantage when we compete in foreign markets such as the European market, because we have a very small footprint.

• (1645)

Mr. Richard Martel: Mr. Simard, the Environment minister is proposing an international tax on shipping, which could obviously hurt the competitiveness of Canadian ports, as well as, in my opinion, key industries like aluminum. Since our international partners aren't showing much enthusiasm, do you think this initiative could divert investments and jobs from Canadian aluminum-producing regions?

Mr. Jean Simard: I don't think so, because our production is exported to the United States, not Europe. We export 93% of our production to the U.S. market, and a lot of it moves by rail and so on.

No, I'm not prepared to say that this is an issue for us as we speak.

Mr. Richard Martel: In a context where countries like China are dumping their product and resorting to other unfair tactics in the aluminum industry, do you think current Canadian policies adequately protect our producers from these practices, which undermine competitiveness?

Mr. Jean Simard: The Government of Canada took a very robust measure last summer by implementing a 25% tariff on Chinese aluminum imports, for example. China does not export primary metal; it exports semi-processed products. Those are the products that are now being blocked by what I would call a tariff wall around the Americas, as Canada and Mexico have responded to the U.S. initiative that started in the spring of this year. As a result, Chinese products no longer really have access to those markets. In fact, they still have access theoretically, but they are no longer competitive enough to enter the market.

Mr. Richard Martel: We know that Rio Tinto sells most of what it produces to the United States, since they are our immediate neighbours and transportation is easier. Do the EU's pollution pricing mechanisms create an opportunity for the aluminum sector?

Mr. Jean Simard: Canada certainly has a logistical and technical opportunity to export its metal, either to the United States or to the European continent. We produce—

Mr. Richard Martel: The percentage shipped to Europe would be small.

Mr. Jean Simard: Yes, and I'll tell you why.

For argument's sake, let's say that what we produce is divided 50-50 between value-added products and what we call commodity ingots.

Value-added products are sold to customers. These products are extruded and alloyed in such a way as to meet a specific need set out in a contract. So it's not a product that can be moved overnight according to the vagaries of the market, because you're meeting contractual specifications.

However, the other 50% can go pretty much anywhere in the world. That's what can be exported to Europe, as long as market conditions there are favourable. In other words, when we negotiate prices, the price paid by Europe, based on current market dynamics, must justify shipping the product over there to get a better return rather than sending it to the United States. That's not the case as we speak.

Mr. Richard Martel: Do I still have some time?

[English]

The Chair: You have 20 seconds.

[Translation]

Mr. Richard Martel: Okay.

I would have liked to talk about trade diplomacy and what needs to be done there.

[English]

The Chair: You can in the upcoming round.

Go ahead, Mr. Sidhu.

Mr. Maninder Sidhu (Brampton East, Lib.): Thank you, Madam Chair.

Thanks to the witnesses for their time today on this very important study as we look at carbon border adjustment mechanisms.

Mr. Sawyer, you mentioned that Canada has a significant advantage, as we have both federal and provincial programs in place to reduce emissions. One of our programs, of course, is federal carbon pricing, which has already reduced close to three million tonnes of emissions in the last four years. That is roughly the equivalent of getting 11 million gas-powered cars off our roads. Canada leads the way with the largest emissions reduction in the G7.

You talked about what our country has done, our competitive advantage and bringing together the data. You mentioned making sure that federal and provincial governments bring data together to help emphasize the actions we've taken to bring down carbon. Really, this helps attract economic investments to our country. We've seen over \$50 billion invested in our country, with people setting up shop and creating jobs for Canadians.

What would you recommend in terms of the data we share? Is it on the industrial side? Is it on the consumer side? Maybe you can speak more about that.

• (1650)

Mr. Dave Sawyer: In the context of the border carbon adjustment, it's really about the costs, or the carbon charges, the large emitters are facing, which are subject to border carbon measures. In this country, most provinces are running their own system. Alberta has had their large emitter program since 2007. They're running their own system, so they make their own decisions on the share of emissions that are charged and the cost imposed by industry. When you look at any single sector in the country, you see it's very fragmented. It's all over the place. The relative charge paid has a big distribution.

We have a domestic competitiveness issue, but we also have a problem with saying to the EU or the Americans what we're paying on average. Pulling that information together requires the feds and the provinces to work together to disclose and collect information so we can put it in front of the regulators that are driving these border adjustments.

Mr. Maninder Sidhu: You mentioned the U.S.'s bipartisan carbon bill, the PROVE IT act, which was put forward by both Republicans and Democrats across the U.S.

Can you speak more about this bill so we can all understand it? For those watching, what does it mean? I get the general sense that it's a bill to look at some of the data and the actions U.S. industry has been taking to lower emissions. If they have to deal with CBAM in other countries, they have data to prove they are also going in the right direction.

Mr. Dave Sawyer: In the past, bipartisan bills that have come forward on border carbon adjustments have included a carbon price, which has not really moved forward. The PROVE IT act is different because it does not include the explicit imposition of a charge on U.S. exporters.

Instead, it's basically a reporting requirement. It says, "Lafarge, you're bringing in cement. You have to, on your bill of lading, meet these reporting requirements." That rolls out across about 200 products and a big swath of our industry. Right now, it's an administrative burden—more red tape—but it's ultimately about data collection. It's a step toward imposing a cost on those imports.

Mr. Maninder Sidhu: My guess is that the U.S. would use that data to help their sales pitch with other CBAM countries. They'll say they're taking steps to lower carbon emissions for some of the products they're looking to export to a country and that maybe, therefore, they should be excluded from a potential carbon duty on things shipped to the EU. Is that right?

Mr. Dave Sawyer: The regulations are really complex, and I'm not an engineer, so it gets a little scary.

Basically, this is what happens: "What's your emissions intensity per unit of cement? What's your emissions intensity in another country per unit of cement? Do you have a carbon price? Are there differences? We're going to charge you." Disclosing your relative emissions intensity to the implementing country that has a tariff is step one. You have to be able to demonstrate what you're doing and avoid punitive charges or double counting—paying at home and abroad. That's really what it's about.

Mr. Maninder Sidhu: If you compare what the U.S. is trying to look at with what Canada has done with carbon pricing, would you say we have a good, competitive advantage compared with other G7 countries?

Mr. Dave Sawyer: Yes, I would say our carbon pricing—that was the basis of my talk—is a foundation. It applies to the EU, so there are now companies in the country that will basically have to disclose their carbon content and will have to be assessed against the EU rules today. Then they'll disclose what they're paying in provincial or federal carbon charges and have a fee levied. That increases prices in the EU market.

• (1655)

Mr. Maninder Sidhu: The work this government has already done to this point gives us a leg-up because we started long before many of the other countries that may be looking into this.

I have 30 seconds left. What other countries are looking at a CBAM type of legislation? I've heard maybe the U.K. and maybe Australia. Are there other countries that come to your mind?

Mr. Dave Sawyer: Yes, the U.K. is looking at implementing it, absolutely, and the Australians are thinking about it as well. It's an issue. Misaligned carbon costs and competitiveness are issues that need to be addressed, and CBAM is the tool of choice. They're not going away.

Mr. Maninder Sidhu: Absolutely, and we need to level the playing field on environmental labour standards, as Ms. Kwan said. I know my time is up, but maybe that's for the next round.

The Chair: Thank you very much.

Mr. Sauv , go ahead for six minutes, please.

[Translation]

Mr. Louis-Philippe Sauvé (LaSalle—Émard—Verdun, BQ): Thank you, Madam Chair.

My question is for Mr. Simard.

We know that Quebec aluminum is one of the greenest in the world.

Please tell us more about your path towards decarbonization, based on your historic emissions and your production.

I would also like you to tell us how we compare to the global industry average.

Mr. Jean Simard: Thank you for your question.

I'll correct you at the outset, because we can't say that aluminum is green in Canada. As per Bill C-59, which was passed this summer, such a statement is equivalent to greenwashing. That's why we use the wording "low-carbon footprint aluminum". That's the wording I'm going to use for the purpose of our discussion.

Since carbon pricing systems were implemented in Quebec in 2012, our industry has adopted an approach to reduce its greenhouse gas emissions as quickly as possible.

Accordingly, we have signed two voluntary reduction agreements, one of which is with the Government of Quebec. We have surpassed the commitments set out in both agreements. We chalked up more reductions than we had anticipated. Right now, that makes us the Canadian industrial sector that has contributed the most to reducing greenhouse gas emissions in Canada.

We emit approximately two equivalent tonnes of CO₂ per tonne of aluminum produced, while a comparable coal smelter in India or China emits between 17 and 21 tonnes of CO₂ per tonne of aluminum. Today, based on that average, we emit one of the lowest levels of emissions compared to the rest of the world's production.

When we look at the reductions planned over the next few decades, everyone has the same objective, which is to achieve net zero by 2050, as in the industrial sector. The global average, which takes into account emissions related to hydroelectricity, natural gas and coal, is much higher at around nine tonnes.

Canada's average is two tonnes, which is where the rest of the world wants to be around 2045. So we're well ahead of the game. The challenge we face is that to further reduce our emissions, we will have to change the way we produce aluminum.

Mr. Louis-Philippe Sauvé: I want to ask you two more questions.

You talked about greenwashing, which piqued my curiosity.

I would like to know how the bill affects your members.

Second, can you tell us about the challenge your sector faces with respect to the goal of net-zero emissions by 2050 compared to your foreign counterparts?

Mr. Jean Simard: When it comes to greenwashing, we need to set things straight regarding certain terms. As I pointed out earlier, we don't use the term "green aluminum". In fact, we've never really used it. Governments have. It's easier for governments, in terms of

public perception, to use the wording "green aluminum" or "our green aluminum" than for the industry to talk about green aluminum, because what that means to us is highly relative.

The Middle East can say that its aluminum is green because it uses natural gas, not coal, and so on. It's too relative a term. What bothers us is that foreign competitors can make claims against which authorities in Canada would have very little recourse, whereas, conversely, those same foreign competitors would be allowed to impose countervailing measures if we used the same language.

The ability to apply these new parameters is very relative, especially since we have to refer to internationally recognized methodologies. That's the main problem with this new regulatory environment.

We'll see how things pan out. Our sector's way of doing things will stay the same because our positions and claims have always been very well documented.

The second part of your question was about the challenge we face in meeting our 2050 targets. We have to develop and deploy disruptive technologies, such as the use of inert anodes or the ELYSIS project in Saguenay, or try to adopt other technologies that weren't developed for our sector. I'm thinking, for example, of carbon capture and sequestration.

• (1700)

Mr. Louis-Philippe Sauvé: Thank you, Mr. Simard.

I have a—

[English]

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

We're moving on to Mr. Desjarlais for six minutes.

Mr. Blake Desjarlais (Edmonton Griesbach, NDP): Thank you very much, Madam Chair, and thank you to the witnesses for being present with us today.

We're studying, of course, the massive economic and trade impacts of climate change. This is a severe topic we often talk about in this place, and in this committee in particular, we talk about the cost of the very concerning threats made by American President-elect Donald Trump of a 25% tariff, which is concerning and deeply problematic.

The impacts of climate change are extreme and extraordinary when compared to the tariffs presented by the American president-elect. I think this puts into context the very severe reality we're dealing with. In particular, young people, young Canadians and young workers—the next generation—are right now paying into pensions, doing the hard work and wondering whether their products, the things they're contributing to and the work they're contributing to will have value in the future.

We heard from forest producers in Quebec a couple weeks ago, and I asked them what the greatest threat to their industry is. They said the wildfires last year shut down the entire forestry industry for the entire summer, which generated a huge loss. It's a severe issue, and it's something we have to take more seriously in this place. I really hope we can take the time to speak about why we're having this conversation today.

The motion we're debating and studying is, of course, on demonstrating global leadership in emissions reductions, including with the use of pollution pricing mechanisms that will benefit Canada's trading relationship with the EU and others. It's a positive frame, I'd suggest, to a very serious issue. There are opportunities given the crisis. We're talking about the impacts of a crisis.

Ms. Kwan, you mentioned some of those opportunities, and you mentioned recommendations made by the Canadian Labour Congress, one of which I agree with. I've heard it from others as well, including the Alberta Federation of Labour. It's about the need for an industrial strategy.

How do you think an industrial strategy would assist Canadians and Canadian workers? Would it ensure they're able to not only continue to have good-paying union jobs but also contribute to a future their children can be proud of?

Ms. Elizabeth Kwan: Unions have been calling for an industrial strategy for quite a while now.

If you look across the actions we've been doing, there are parts, pieces and different strategies, but there's no visionary plan that one can actually follow. I say this because we really need one to provide us with some framework to go forward with. I mentioned the industrial policy, and it's in the document the Canadian Labour Congress put out in December 2023—"A Sustainable Jobs Blueprint Part II: Putting workers and communities at the centre of Canada's net-zero energy economy". Among the economy-focused recommendations is the recommendation to develop a net-zero industrial policy that creates conditions for thriving industries.

I've always felt that we talk about the work we do in terms of the low-carbon economy. That is really good, but on the other hand, we need to push a little further and don't always need to push in the same direction as the United States. We can do our own things. There is no reason, as we produce some of the cleanest steel, that we can't use it in local public infrastructure. Why aren't we compelling the use of that, or local lumber?

This is all part of the rethinking that needs to go into the industrial policy, just as with diversifying the economy. We have a very rip-and-ship model, which is that we rip out the raw stuff, extract it and more or less ship it out. It adds no value for us, and we need to develop value-added downstream activities to create good jobs. I

can't go through the whole thing, but certainly that's what is generally meant by that.

We need to create jobs but not just existing jobs. There are new jobs out there in the low-carbon economy that, quite frankly, we can't even imagine yet, just as with the development of AI. There are new jobs coming up, and we really need to provide supports for workers who are transitioning to other sectors, whether they're traditional ones or new, low-carbon ones. We also need to provide them with training for upskilling, re-skilling and skilling in general.

● (1705)

Mr. Blake Desjarlais: In many ways you're talking about more jobs—more good-paying union jobs for Canadians.

I'll give the example of precision drillers in Alberta. I used to work in Alberta's oil sector, and this is very common. Precision drillers are the folks who drill the well we need to get oil out of. Imagine if one of the largest companies in Alberta could utilize technology and the skills of these workers, who could be rewarded not just in pride but in good paycheques, to diversify their bids for products. Rather than an oil company, for example, saying, "Precision drillers, build an oil well for us", what if another company said they should drill a geothermal plant? Imagine if that question were presented to them.

As a matter of fact, that happened in 2014 and 2015. A pilot project in Alberta converted an abandoned oil well with the existing skills and technology of the oil sector, and it produced the very first geothermal well in Alberta. Is that an example of the kind of technology that not only provides good-paying union jobs, but also increases and diversifies the immense labour skills and technology we already have?

The Chair: I'm sorry, Mr. Desjardins, but you are 10 seconds over your time.

Mr. Blake Desjarlais: I apologize, Chair. Thank you very much. I'll come back to that.

The Chair: Ms. Kwan, I'm sure, will find a way to answer that, in addition to her answering the other questions.

Mr. Jeneroux, you have five minutes.

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): Thank you, Madam Chair.

Ms. Kwan, you're someone who has been at the committee a few times. I'm sure you'll find a way to do that. Welcome back to committee.

Mr. Simard, welcome back as well.

Mr. Sawyer, I'm not sure if I've seen you at committee before, but if so, welcome back, and if not, welcome.

I want to pose a question to all three of you first, right off the bat. In 2020, the CBA policy was first announced by the current government, and in 2021, it was included in the Liberal Party platform. Then in 2022, consultations were undertaken by the government to do it.

First off, were any of the three of you consulted as part of those consultations? I'll start with you, Ms. Kwan.

Ms. Elizabeth Kwan: In the job I do, we keep track of consultations. Did someone approach us? I can't remember, but I know the Canadian Labour Congress and I had conversations with other unions that are interested in the BCA consultation.

Mr. Matt Jeneroux: Just to clarify, either you or somebody you know participated in the consultations, basically.

Ms. Elizabeth Kwan: We had a discussion among ourselves, but it wasn't a face-to-face consultation that I was involved in. The consultation was open for submissions, so we got together—

Mr. Matt Jeneroux: Okay. There's a lot of mystery around these consultations, so I'm trying to get to that.

Mr. Sawyer, did your organization participate?

• (1710)

Mr. Dave Sawyer: I'm unaware if we participated. I did not.

Mr. Matt Jeneroux: Mr. Simard.

Mr. Jean Simard: I just want to make sure I understand the reference. Is it the consultation about the Canadian CBAM? I missed that part. I'm sorry.

Mr. Matt Jeneroux: Yes, you are correct.

Mr. Jean Simard: We submitted a brief. We were consulted. We took part in the consultation, the reaching out, and we submitted a brief on behalf of the industry.

Mr. Matt Jeneroux: Have you seen any results from those consultations? Again, they happened in 2022.

Mr. Jean Simard: My understanding, from what I recall of the consultation, is that it was an ongoing process.

Mr. Matt Jeneroux: I'm going to move on.

Yes or no, have you seen those results, ongoing or not?

Mr. Jean Simard: I can't remember if I've seen anything because it was ongoing.

Mr. Matt Jeneroux: Ms. Kwan.

Ms. Elizabeth Kwan: No. There was no report.

Mr. Matt Jeneroux: Just to help you out, Mr. Simard, that is the correct answer. There have been no results from the consultations,

so if you see them, please let us know, because, again, this was from the government in 2020. We're almost in 2025, and this happened in 2022.

I'm going to allow my colleague to ask a quick question, but before I do, I want to ask you, Ms. Kwan, a brief question.

What are the potential repercussions for workers in the manufacturing and energy sectors if we're not aligned with the United States on trade policies?

Ms. Elizabeth Kwan: I think that any discussion about the United States right now is a bit up in the air given what we don't know. Any change in the industry would obviously disrupt jobs for sure. I would say it's hard to figure out what "align" even means right now.

Mr. Matt Jeneroux: Thank you.

For the last minute, I'll pass it to Tony.

The Chair: You have one minute and seven seconds.

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

Thank you to the witnesses for being with us today.

I want to build on what my colleague from the NDP said earlier about the new, severe reality we're facing with the changes in the United States, the upcoming administration and the different approach.

Mr. Sawyer, you talked not so much about a CBAM but about the U.S. PROVE IT act. What is the status of that legislation? Has it passed? Is it in force?

Mr. Dave Sawyer: It's just proposed.

Mr. Tony Baldinelli: Has it been introduced, and is it beginning the legislative process?

Mr. Dave Sawyer: I believe not.

Mr. Tony Baldinelli: Thank you.

The Chair: We will move on to Mr. Arya for five minutes.

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

Mr. Sawyer, while introducing yourself, did you say that you're associated with an organization called EnviroMix?

Mr. Dave Sawyer: It's EnviroEconomics.

Mr. Chandra Arya: It is not EnviroMix.

Mr. Dave Sawyer: No.

Mr. Chandra Arya: Thanks. I'll come back to you.

Ms. Kwan, as to your recommendations one and three—I can't repeat them—are there any countries that have implemented those recommendations?

Ms. Elizabeth Kwan: In terms of the industrial strategy, if you look at Europe, for instance, it has strategies around that. It also also has strategies around emissions and strategies around deforestation—all of that stuff.

As to number three, yes, many governments are active in the realm of shifting towards a low-carbon economy. It provides—

Mr. Chandra Arya: I know various governments are doing it. Sometimes it is easier for us to know if somebody else has done it. We can look at how their model works, and we can try to copy it. There's nothing wrong with copying good things.

Mr. Simard, I have a quick question, a short question. What percentage of aluminum products from Canada are exported outside of North America?

Mr. Jean Simard: It's a very small proportion—perhaps 3% or 5%, depending on the year. The rest goes to the U.S.

Mr. Chandra Arya: Basically, your concern here is about imports into Canada.

Mr. Jean Simard: I'm sorry. Can you repeat the question?

Mr. Chandra Arya: On this particular issue, your major concern is about imports into Canada. Am I right?

Mr. Jean Simard: We don't have an issue with imports into Canada. It's not an issue for us.

Mr. Chandra Arya: Thank you.

Mr. Sawyer, I'll come back to you.

You said there is a proposed bipartisan bill pending in the U.S. Do you think it will pass under the Trump administration?

• (1715)

Mr. Dave Sawyer: I cannot speculate on that.

Mr. Chandra Arya: Obviously, if a bill like that is passed, it will increase costs for carbon-intensive industries. With business lobbies being strong there, I'm wondering whether it will be done.

You said 30% of our product exports will be covered under it. Correct me if I'm wrong.

Mr. Dave Sawyer: Yes. It's a big number.

Mr. Chandra Arya: Is it to our advantage if the bill passes? I'd say certainly not.

Mr. Dave Sawyer: It depends on what happens. It really depends on the final rules.

Mr. Chandra Arya: You mentioned the federal and provincial systems and how they help reduce emissions and maintain competitiveness. Is that not a problem for some of our sectors?

Mr. Dave Sawyer: Do you mean the CBAM?

Mr. Chandra Arya: Yes.

Mr. Dave Sawyer: Well, it is a problem for our exporters to the extent that they get levied. It increases costs, which reduces their market share in foreign markets. It will be a problem in Europe.

Mr. Chandra Arya: It will, especially for the agriculture sector, which has made Canada the fifth-largest exporter of agri-food products in the world.

How do you think they are coping with this?

Mr. Dave Sawyer: The fertilizer sector would be the only sector covered under the CBAM. They would see an increase in costs. To the extent that our Canadian carbon prices are misaligned with EU carbon prices, they would face a charge.

Mr. Chandra Arya: Trading with the European Union is not a problem, because our objectives align, but when it comes to Canada trading with the global south, don't you think our companies and products will be under competitive pressure?

Mr. Dave Sawyer: I don't have a view on that.

Mr. Chandra Arya: Is there any risk that our stringent climate policies will be considered protectionist by the countries that want to trade with us?

Mr. Dave Sawyer: Our large-emitter trading programs are likely WTO-compliant, so we're okay from a protectionist perspective.

The design of these border tariffs is another story. We're not implementing one, so I can't comment there, but the WTO will have something to say about these things.

The Chair: Thank you, Mr. Arya.

We're going to Mr. Sauvé for two and a half minutes.

[*Translation*]

Mr. Louis-Philippe Sauvé: Thank you, Madam Chair.

I have two questions for Ms. Kwan from the Canadian Labour Congress.

Ms. Kwan, we've been talking a lot about the EU and the U.S. since the beginning of this study, but we also have other trading partners.

Do you have any thoughts on this that you'd like to share with committee members?

[English]

Ms. Elizabeth Kwan: Yes. The focus on the U.S. and the EU is obvious. They are trading partner number one and trading partner number two. However, I would urge the committee to consider the FTAs we have with other countries, like those in the global south, for instance. Every country has its own mechanisms. The FTAs we have with Chile, Colombia, Indonesia, Australia, Japan, Mexico and New Zealand have some type of mechanism in place. Whether the border carbon adjustment is in or out, the fact is that the basis of it is trending that way anyway.

Quite frankly, having a Canadian border carbon adjustment—and I'm not a hockey fan—is where the puck is going. Staring down the U.S. is not the only option.

[Translation]

Mr. Louis-Philippe Sauvé: You talked earlier about the model which consists of ripping and shipping a product.

The Bloc Québécois, myself included, even though I represent an urban riding, care very much about regional economies. I think having processing operations in the regions can bolster Quebec's economy.

At the CLC, do you have any thoughts on that, particularly with regard to aluminum?

• (1720)

[English]

Ms. Elizabeth Kwan: I wouldn't say aluminum. I know that steel and aluminum, for instance, are very different given the nature of how they go back and forth between the U.S. and Canada, so that adds another character to the whole thing. In terms of “rip and ship”, if we're getting crude out of the ground and shipping it, that's one point of sale. If we have downstream activities to process it a bit more, to do something more with it, we're creating jobs. That's what I'm trying to refer to, instead of just shipping things raw.

Agricultural products are the same thing. Can we not at least add a few more things in the downstream economy so we can add value and good jobs before we ship them out? It's about thinking through an industrial policy that keeps adding to growth and good jobs to the equation.

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

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

Mr. Blake Desjarlais: Thank you very much, Madam Chair.

Just to continue on my Bloc Québécois colleague's line of questioning regarding downstream value-added products, we know this will create good jobs. A good example of that—and Ms. Kwan, this will be for you—is forestry, one of the greatest industries in western Canada. We're seeing serious issues of supply chain resilience because of existing tariffs by the Americans, a dispute that's gone on forever.

Would it be important to see within an industrial strategy a target for softwood lumber, as an example in this discussion, to add value to products? This is for something like mass timber production, which can go into the construction of very high, dense residential buildings, for example? That's just a goal. If the goal is to build

more housing in Canada and there's an industrial strategy to get there, it would involve softwood lumber and would involve making certain that those products could be built here.

Is that a good example of what you mean by a value-added industrial strategy?

Ms. Elizabeth Kwan: Yes, absolutely. I can give you an agricultural example, because it gets brought up but doesn't get much time in these discussions. We can grow a tomato and then put it in a box and ship it out, or we can grow a tomato and make it into something here and add more jobs. Then we can make even more products from that. This is the type of diversification, the type of downstream economy, that really needs to be part of the industrial strategy.

Mr. Blake Desjarlais: In terms of job creation, we know that when you have value-added products, it creates good jobs here. If you don't do that, it means those jobs are going somewhere else. Isn't that correct?

Ms. Elizabeth Kwan: Absolutely. We're trying to forge ahead with a low-carbon economy in critical minerals, for instance, which is what our EU counterparts were interested in talking about.

I'll give you the example of Indonesia. I keep mixing up copper and nickel, but I think it's copper mining. They used to basically rip it out of the ground and ship it out, and then the government said, no, they were not going to do that; they were going to process it before they ship it out. They did that with a lot of investment, and it added tens of billions to the economy because they took one more step to add one more value.

Mr. Blake Desjarlais: Then there were lots more jobs.

Ms. Elizabeth Kwan: Yes, lots more jobs.

Mr. Blake Desjarlais: Very good.

[Translation]

Mr. Louis-Philippe Sauvé: I have a point of order, Madam Chair.

In light of the Amber Alert, I seek the committee's unanimous consent to grant an additional 30 seconds to my NDP colleague, who, like all of us, was distracted.

[English]

Mr. Blake Desjarlais: That's very kind. Thank you.

The Chair: The clerk adjusted the time for that interference.

Mr. Louis-Philippe Sauvé: Okay.

The Chair: We try to make sure you get all the time you can.

We have five minutes left and I have Mr. Baldinelli and Mr. Sidhu, who are the last two people.

Mr. Baldinelli, do you have a question for a minute?

• (1725)

Mr. Tony Baldinelli: Sure. Let me just get back to—

The Chair: You can do a minute and Mr. Sidhu can do a minute, and that will get us to 5:30 for the next panel.

Mr. Tony Baldinelli: Sure. Thank you.

I'll just follow up with Ms. Kwan. We talked about the new reality, which is that the United States, in the next couple of weeks, will be swearing-in a new U.S. administration. There seems to be a different approach in the United States. We're already hearing of tariffs and discussions of CUSMA renegotiations.

The question of alignment is critical, I would suggest, to what's happening here in Canada policy-wise with our largest trading partner. We trade more with the United States than we do with the rest of the world combined. Some 31 states are the largest trading partners for Canada. It's incredible.

The regulatory harmony we shared in the auto sector allowed that sector to grow. We had three facilities in St. Catharines at one time, employing over 10,000 people. Now we're down to only one facility and it employs just under 1,000 people.

My concern is for those jobs in the future. My concern is that they continue. To Ms. Kwan's point, I'd like to see them grow and continue to grow. If we're out of step with what happens with our largest trading partner, how are we to compete?

The Chair: Ms. Kwan, if that's being directed to you, I have to ask for a one-word answer to a very long question that was more than the minute so I can get over to Mr. Sidhu.

Mr. Tony Baldinelli: I'm passionate.

Ms. Elizabeth Kwan: The answer is that we don't know what's going to happen. Look toward the other states that have mechanisms they're applying.

The Chair: Thank you so much.

We'll go to Mr. Sidhu for a minute and a half, to be fair, or closer to two.

Mr. Maninder Sidhu: Thanks, Madam Chair. I will take the minute and a half.

I know we're talking about what the U.S. is doing, and we want to be in lockstep. We've heard about the U.S. PROVE IT act. Lawmakers down there, Republican and Democrat, are looking at industry and carbon efficiency.

This act was supported by the U.S. Chamber of Commerce, the American Iron and Steel Institute and the American Petroleum Institute. There are many other organizations supporting this act because they know it will give a competitive advantage to countries that have carbon pricing mechanisms or progressive environmental policies in place.

We hear the Leader of the Opposition talk about axing the tax, but in 2021, the Conservatives had carbon pricing in their platform. They've just turned around. This means uncertainty to industry partners that are looking to invest in Canada because we're seen as a progressive partner. Companies are coming here to create jobs.

I think it's very important for committee members and those watching to understand that we have a leg-up when we look at the G7. With our carbon pricing, we're actually competitively ahead of many other countries.

It's important that we look at what the U.S. is doing. The U.S. bill was supported by Republicans from Florida, Indiana and Oregon—from across the U.S. I don't think this is the end of the line, though.

As a quick comment, I want to thank Mr. Sawyer for bringing up that the U.S. PROVE IT act is just one way the U.S. is looking at this. It's being studied, so we'll see where it goes from here, but I know there are a lot of organizations and institutions down in the U.S. that support it.

Thank you, Madam Chair.

The Chair: Thank you very much.

Thank you very much to our witnesses for this first hour of testimony.

We will suspend while we switch over to our other witnesses.

• (1725)

(Pause)

• (1730)

The Chair: I call the meeting back to order.

We have with us, as an individual, Neil Campbell, partner at McMillan LLP. From the Canadian Union of Public Employees, we have Angella MacEwen, senior economist in national services. From United Steelworkers, we have Troy Lundblad, department leader of research, public policy and bargaining support, and François Soucy, legislative staff representative for political action and communications.

Welcome to you all.

Yes, Mr. Savard-Tremblay.

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Madam Chair, I apologize for interrupting.

Can we take a short break? I can't hear the interpretation.

[English]

The Chair: Okay, wait just a second. We'll see if we can get interpretation.

We're good.

Welcome to you all. We will start with opening remarks.

Mr. Campbell, you have the floor for up to five minutes, please.

Mr. Neil Campbell (Partner, McMillan LLP, As an Individual): Thank you for the invitation to appear before the committee today.

I'm a lawyer and my practice focuses on international trade, as well as competition and foreign investment review. I have previously written and spoken about border carbon adjustments, or BCAs, including the CBAM, from a trade law perspective. My opening comments will focus on six brief points about when BCAs may be useful and how they may be implemented.

First, in my view, there are two conditions that make BCAs a potentially important trade law instrument that can benefit domestic producers and benefit the Canadian economy. Number one is that you have significant carbon costs being imposed on certain domestic sectors. Number two is that those domestic sectors are facing significant competition in Canada from imported products whose manufacturers basically have an advantage because they incur either low or no carbon costs.

Second, I think the optimal level of a target charge for a border carbon adjustment should match the level of the carbon costs per tonne of emissions being imposed on the domestic industry. This is for two reasons. First, any higher level is going to invite a trade law challenge for violating the national treatment or non-discrimination provisions in WTO and other bilateral and regional trade agreements. Second, any lower amount is just going to leave Canadian producers on a less than level playing field in their home market.

Third, in my view, it's important to allow, in a BCA design, for the charges at the border to be reduced when an exporter can establish that it's subject to carbon regulatory costs in its home jurisdiction. Basically, this eliminates the double-payment problem or double-counting problem. That problem would be difficult to justify under a national treatment standard. What you're doing by recognizing those foreign costs is essentially aligning the total payment that the incoming product makes with your domestic climate regulation level of choice. The EU's CBAM is using that approach. Basically, you have verified local carbon costs being offset against the amounts that the exporter would have to otherwise pay when purchasing the certificates in the EU's emission trading system.

Relative to exporters that are selling into the EU from countries with no carbon regulation, Canadian exporters have a couple of advantages, although the size may vary. First, they're already doing some of the climate measuring, accounting and information type of work that was discussed in the previous panel for domestic purposes. To the extent that the EU wants something more or different, that adds incremental challenges, but relative to a no-carbon country, we're ahead of the game. Second, we'll pay lower charges into the EU than a no-carbon country.

One of the interesting developments since the CBAM has emerged is that, despite China, India, Brazil and some other countries claiming they will challenge it from a trade law point of view, they're also increasing their efforts to build their own domestic carbon pricing systems in various ways. The intuitive logic of that is to keep the revenue, to some degree, within their home jurisdictions rather than paying it to the European Commission.

The fourth point is that the CBAM has attracted a lot of attention. I would encourage you to recognize—and I know it's in your notice of motion—that it's one particular design or one particular approach for implementing a border carbon adjustment. There are quite a number of other options and quite a number of design choices.

One quick example that I think is particularly important for Canadian producers is the question of exemptions or free allowances in a carbon regulatory regime. Those are often perceived to raise trade law issues for a BCA under a national treatment analysis. What the EU is doing is making those go away—it's phasing its allowances out—but that choice may in fact be as much or more driven by the EU's long-term climate policy objectives rather than just trade law compliance. Put more plainly, I think it's defensible to keep the allowances or exemptions in effect as long as you're setting a border carbon adjustment amount at a level that would reflect the average or the net prices being imposed in the domestic jurisdiction.

• (1735)

Here's a quick example with simplified math. If you're imposing a \$100-per-tonne cost on carbon emissions but the allowances mean only 75% of emissions are being charged, you could impose a border carbon adjustment at \$75 per tonne of emissions and treat foreigners on a level basis, as the average cost they're paying is comparable to the average cost you're imposing on your domestic producers. A BCA would not require Canada to give up its allowances in the OPBS, or features of that sort. Necessarily, it could by choice, but it's not required.

Fifth, I think regulatory burdens can be quite important considerations when you're designing BCAs. For Canadian producers, the incremental cost of doing a Canadian BCA is quite low, partly because they're already doing a lot of client measuring and reporting, and particularly because the obligations in a Canadian BCA are not going to be imposed on Canadians. They're being imposed on foreign exporters or importers.

I will quickly reference what Ms. Lamoureux said about a focus on monitoring interoperability. Things don't need to be identical. There are mechanisms for mutual recognition agreements and such that could be used.

• (1740)

The Chair: Thank you very much.

Mr. Neil Campbell: Chair, I see you're giving me the nod. I have a very short last point.

The Chair: Committee members always have lots of questions.

Mr. Neil Campbell: Certainly.

My last point is simply to suggest that the lead time for developing, testing and implementing a BCA is pretty long. The U.K. is starting now and looking at 2027. If Canada starts in 2025, we're probably looking at 2028 or 2029. I think it's a long-view decision, but the time to start thinking about it is now.

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

We're going to Ms. MacEwen.

Ms. Angella MacEwen (Senior Economist, National Services, Canadian Union of Public Employees): Thank you very much.

I am here from the Canadian Union of Public Employees. That's Canada's largest union, with over 750,000 members across Canada. CUPE members take great pride in delivering quality services in communities across a broad cross-section of the economy, including in energy, utilities, transportation and airlines.

Globally, we're experiencing the unprecedented impacts of climate change, and many of our members are facing this challenge in both their work and home lives. In response to this challenge, many nations are implementing strategies to speed up the transition to a low-carbon economy.

It is clear the global economy is moving towards a reality where carbon-based adjustment mechanisms are happening at borders. In Canada, we have the additional challenge presented by uncertainties over the U.S. threat of tariffs and the review of CUSMA coming up. It's important to remember that U.S. states and industries may have priorities and approaches that differ from Trump's. As my colleague said before, it's not clear what being in lockstep with the U.S. actually means right now.

Our economy must adapt, though, and be positioned to take advantage of the massive industrial and economic opportunities that are coming with the shift to a low-carbon economy. We can do that through a comprehensive industrial strategy, which means we're all working together to protect Canada's interests and clearly prioritize the interests of workers, their families and their communities. A good example of how we've done this already is the way our transition off of coal energy generation contributed to cleaner manufacturing in most Canadian sectors. That gives us an advantage in the current reality.

The European Union is Canada's second-largest trading partner for goods and services, and they have already implemented a border adjustment tool. This presents the opportunity to develop a robust industrial strategy that diversifies our economy and trade partners and includes a pro-worker agenda.

I am also a member of the Canada-EU Comprehensive Economic and Trade Agreement domestic advisory group. As the CLC representative mentioned on your previous panel, our EU counterparts have expressed their keen interest in purchasing clean products from Canada because of our high labour and environmental standards. One of the immediate government priorities should be to urgently develop a Canadian border adjustment mechanism that aligns with the EU and U.K. CBAMs. This will help us open more doors to trade and to good-paying jobs in Canada and will help us minimize the impact of unfair trade practices from the U.S.

Particularly in the context of our domestic carbon price and other domestic carbon prices, a CBA will help protect Canadian industries and jobs and will reduce global carbon emissions. Such a framework would ensure foreign producers bear equivalent carbon costs and help prevent unfair competition in our domestic market. That helps level the playing field and ensures importers accurately price the environmental costs of their activities.

This embodies the principles that align perfectly with Canada's climate and trade objectives. We know the cost of inaction is enormous and presents serious risks. Without equivalent measures, low-cost, high-emission imports will continue to undercut Canadian producers and jeopardize thousands of good-paying jobs. Given the challenges and opportunities we're presented with, a border adjustment mechanism is a fair and predictable way to keep Canadian companies competitive and keep jobs in our communities.

Thank you.

The Chair: Thank you very much.

Mr. Lundblad, you have the floor for up to five minutes, please.

Mr. Troy Lundblad (Department Leader, Research, Public Policy and Bargaining Support, United Steelworkers): Thank you, Madam Chair.

Thanks to the members of this committee for the opportunity to speak today on this issue.

My name is Troy Lundblad. I'm the department leader for research, public policy and bargaining support at the United Steelworkers union. With me, or rather with you, is my colleague François Soucy, the legislative staff representative in our Ottawa office.

Our union represents over 225,000 workers in Canada and 850,000 members across North America in virtually every economic sector, including steel, aluminum and manufacturing—sectors globally considered emissions-intensive and heavily exposed to trade. Today I'll focus on proposals to consider the implementation of a Canadian carbon border adjustment.

A CBA, or a carbon border adjustment, if implemented, would ensure that the price of imported products reflects the same carbon costs as those incurred by Canadian producers. The steelworkers union has for many years advocated for the implementation of a carbon border adjustment regime. Particularly in the context of the implementation of a domestic carbon price, a carbon border adjustment mechanism will help to protect Canadian industries and jobs and reduce global carbon emissions.

Such a framework would ensure that foreign producers bear equivalent carbon costs to Canadian producers, and it would prevent unfair competition in our domestic market. A CBA can and should be used in conjunction with other policy measures to position our industries for a competitive advantage in low-carbon production while protecting good Canadian jobs—for example, in steel and aluminum. The cost of inaction here is enormous and presents some serious risks. Without equivalent measures, low-cost, high-emissions imports will continue to undercut Canadian producers and jeopardize Canadian jobs.

Indeed, Canada's steel and aluminum sectors already enjoy a distinct carbon advantage over foreign producers. Our aluminum has the lowest carbon intensity in the world, emitting roughly one-tenth of the greenhouse gases as Chinese aluminum. Our steel industry, particularly our electric arc furnace production, has one of the smallest carbon footprints globally thanks to advanced technology and access to low emissions electricity grids in Quebec and Ontario.

However, it's also critical that a made-in-Canada carbon border adjustment mechanism be designed in a manner that reflects the realities of Canadian industry and our trading relationship with the United States. As the global economy rapidly shifts to decarbonize supply chains, Canada must align its policies to maintain access to its vital markets in the U.S. and in the EU. Adopting principles similar but not identical to those in the EU at the national level with the carbon border adjustment mechanism will also help protect Canadian industries and the jobs and communities they depend on.

In addition to the design and implementation of a carbon border adjustment, the USW urges this committee to consider other policies, such as those that promote buy-clean public procurement to prioritize low-carbon materials, such as Canadian steel and aluminum, in infrastructure products. We must also do more to strengthen trade enforcement by giving the Canada Border Services Agency more resources to monitor and prevent the dumping of high emissions imports that destabilize markets and undermine domestic production.

This isn't about greater protectionism but fair competition while promoting emissions reduction. All else being equal, one of the most significant contributions Canada can make to carbon emissions reduction is to meaningfully reduce the importation of dirty steel and aluminum into our domestic market. A carbon border ad-

justment mechanism can help to level the playing field and ensure that imports accurately price the environmental costs of their activities.

Canada is at a pivotal moment. We need policies that ensure access to key markets without being subject to carbon adjustment, while safeguarding our vital trade relationship with the United States. Our proposals would help grow our industry, secure good-paying jobs and position Canada as a leader in the transition to a low-carbon economy. The United Steelworkers urge you to act decisively to ensure that Canada's industries thrive in a fairer and greener global marketplace.

Thank you, and we look forward to your questions.

• (1745)

The Chair: Thank you very much.

Now we'll go to Mr. Baldinelli for six minutes, please.

Mr. Tony Baldinelli: Thank you, Madam Chair.

Thank you to the witnesses for being here today.

It's a very interesting topic we're looking at. However, I might suggest that it's a little outdated in the sense that things have changed over the last several weeks given that a new incoming U.S. administration will be taking office in January. There are big unknowns there. We're already hearing about tariffs on certain items and about certain issues. We're talking about CUSMA renegotiations. There are issues with the \$390 billion that was committed to the IRA by the Biden administration over 10 years. We have an incoming president, and the previous administration had no carbon tax in place.

From a regulatory standpoint, should Canada be out of lockstep with what's going on in the United States? We just heard from the United Steelworkers about fair competition and keeping a competitive advantage.

If we do a carbon-based mechanism without the United States, how would that impact Canada? They are our largest trading partner. We trade more with the United States than we do with the rest of the world combined. About 50% of our steel is exported to the United States, whereas 0.1% is exported to the EU. How can we maintain a competitive advantage?

First I'll go to you, Mr. Campbell.

• (1750)

Mr. Neil Campbell: Thank you for the question.

I think there's competitiveness in our market and competitiveness in the U.S. market for us to think about in terms of our producers. A BCA helps you to preserve the competitiveness of your domestic firms in your domestic market. One source of competition in our market, which is not paying for carbon right now, is most of the U.S. If you put a BCA in place, that would charge them and would level the playing field up to the chosen level of Canadian carbon.

For the U.S. market, I think the way we're managing that currently is through the degree of allowances we choose in our system. That's something you can continue to choose as you go forward. Those are essentially climate policy choices in the first instance, so the role the BCA plays is to level the playing field.

I think where your question is going is that there may be consequences if we do that. In the current uncertain environment, that's a very fair question and a fair issue to consider. I'll try to be brief, but I think in the world we're in, which you've described, you can cave to intimidation, you can negotiate or you can retaliate. In the first administration, we saw examples of this. In my view, working on a BCA creates an additional element for Canada to think about using in a negotiation process with the U.S. as you go forward.

Mr. Tony Baldinelli: Madam Chair, how much time do I have left?

The Chair: You have 48 seconds.

Mr. Tony Baldinelli: This goes back to that regulatory harmony. On the notion of providing certainty, for example, even if we were able to work on certain issues with the United States—for example on a BCA—we still have the implementation of a carbon tax, which the United States doesn't have.

On Monday, we had Catherine Cobden here from the Canadian Steel Producers Association, and she said:

Before we had a carbon price, our steel industry was suffering in our competitive position when we had to compete with unfair traders who were dumping into our market. Now we have the added problem of trying to compete with fair traders, like the Americans, who are very prevalent. They represent 40% of our import share, and we're competing with them, and they do not have a carbon price. Given the \$80 per tonne of CO2 emissions that we now face, that makes a significant difference. The issue is that the carbon price will continue to rise year over year....

It went up in 2023 and 2024, and it's going up again in April. How can we maintain jobs and our competitive position, as Mr. Lundblad indicated earlier? We want to continue to have jobs in the Hamilton steel sector.

Mr. Neil Campbell: I don't want to hog all the answering, but my brief answer is that the BCA would charge for carbon to offset the advantage that U.S. producers have in selling into Canada.

Mr. Tony Baldinelli: What is the reaction going to be?

Mr. Neil Campbell: I agree that that's the broader question, and I think that's a Canada governmental negotiation strategy.

Mr. Tony Baldinelli: Would it not be better, then, to work in lockstep, to have something in harmony, with our largest trading partner, rather than doing something that would stand out?

Ms. Angella MacEwen: If you're looking at it in terms of negotiations, Trump will not accept us being in lockstep. The way he bargains is if you say yes, he asks for more. As Mr. Campbell indicated, this is a bargaining chip or a tool we can use in those negotiations.

Mr. Tony Baldinelli: Thank you, Madam Chair.

The Chair: Thank you very much.

We'll move on to Mr. Sidhu for six minutes.

Mr. Maninder Sidhu: Thanks, Madam Chair.

Thanks to our witnesses for being with us here this afternoon as we talk about the carbon border adjustment mechanism the EU is bringing in and how we can take next steps.

Mr. Campbell, you had very good opening remarks. You mentioned that it's better to make the investments now rather than pay tariffs to other countries so that we're investing in our own country instead of sending money away somewhere else.

I'm going to turn to Mr. Lundblad online. You mentioned it could hurt your industry if it's subject to carbon border adjustments. It's important I mention that our government is making investments to help the steel and aluminum industries. We've invested close to a billion dollars in Sault Ste. Marie and in Hamilton, Ontario, close by, for electric arc to make our industry less carbon-intensive. You mentioned that aluminum produced in Canada has the lowest carbon intensity in the world.

With carbon pricing in place, as we've heard from many witnesses in this study already, it gives us a competitive advantage when we compete with other countries that produce steel and aluminum. Could you speak to some of the competitive advantage we have, whether it's through innovation or carbon pricing? It's more than likely, with our carbon pricing in place, that we could be exempt from the EU's CBAM when it comes into force in 2025.

• (1755)

Mr. Troy Lundblad: Yes, there's no doubt that Canadian-produced steel and aluminum are among the greenest in the world. They're on par with the United States. In some sectors, they're even greener than steel produced in the United States.

We are not opposed to a carbon tax or a price on carbon in the Canadian economy, but what we would like to see is some sort of adjustment at the border, whether that's a carbon tariff or a carbon border adjustment, to ensure that the price of goods—steel and aluminum, particularly, but also goods imported into the Canadian market—reflects the same costs that are imposed on Canadian-produced steel and aluminum. That will ensure a level playing field.

In terms of exporting steel and aluminum to the European Union, which I'm in the best position to speak to, we don't have large amounts of steel and aluminum being exported to the EU, as the previous witnesses testified to. However, the United Steelworkers recognizes that other manufacturers are going to be exposed to added costs with respect to the CBAM in the European Union, so there are additional advantages to implementing a similar program here.

Mr. Maninder Sidhu: If Canadian steel and aluminum are going to be hit with the CBAM, it could be an even bigger market for you if you have a competitive advantage. Is that correct?

Mr. Troy Lundblad: It could, in theory. As far as I know, from projections from the Canadian Steel Producers Association and the Aluminium Association of Canada, there aren't expectations that our steel and aluminum exports to the EU are going to increase in any significant way. I'm not in a position to speak to the other sectors that are also important to the Canadian economy.

Mr. Maninder Sidhu: Absolutely. You can talk about fertilizer and many of the other sectors that are important to Canada's economy.

Mr. Campbell, you ran out of time earlier, but I was very intrigued when you mentioned that it's better that we innovate now than pay tariff carbon border adjustments to other countries that may perhaps bring them in, whether it's the U.K., Australia or those in the EU. Can you expand on that and talk about Canada's competitive advantage at this point in time?

Mr. Neil Campbell: In the long term, the trajectory is that we'll see more countries dealing with trade-related carbon measures. A lot of those may be border carbon adjustments—CBAMs—or they may be different models. We'll also possibly see the U.S. do something, but it may not be as climate-driven, or at least as domestically rooted, let me say that. There are already half a dozen bills in the U.S. with different suggestions before the change in administration.

I think Ms. Cobden, whose testimony was referred to, was talking about a carbon intensity-oriented focus. There's another ap-

proach about implicit carbon, which says that we're causing our manufacturers to spend a lot in the U.S. even though we don't impose a price.

I think implicit carbon, from a trade law point of view, is much tougher. I think intensity-based approaches could work and be married with charging above an intensity level. That creates an opportunity for Canada to think about doing a regime that works with Canada's climate policy, with maybe a bit of adaptation, but that becomes somewhat complementary to a design in the U.S., even if the U.S. is using a design that doesn't necessarily credit others.

I think we are in a better place as people who have already cracked the tough nut of starting to measure, monitor, report and price carbon.

• (1800)

Mr. Maninder Sidhu: I know I have 20 seconds left, but as a quick comment, I think what the U.S. is looking at through the PROVE IT act is.... They don't want to lose market share to other countries, so they said, "Let's get ready for this. Let's look at the data. What are we doing to lower the emissions produced by some of our manufacturing industries?" I think that's what they're trying to do. They're trying to get a leg-up, so it's important to note that, while we talk about being in lockstep, they know that this may be the future, and that's why they're looking at it. It's a bipartisan bill, by the way, backed by Republicans and Democrats.

Mr. Neil Campbell: We may not be in lockstep, but we still do things that are complementary.

Mr. Maninder Sidhu: Yes.

The Chair: Thank you very much.

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

[*Translation*]

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

I want to thank all the witnesses for their presentations.

My first question is for the two United Steelworkers Union representatives, one of whom is participating online and the other in person.

I'll leave it to you to decide how you answer the questions.

In your testimony, you mentioned that Canada's aluminum industry has the lowest carbon intensity in the world. In large part, it's thanks to the hydroelectricity available in Quebec.

Now let's make a connection with the mechanism proposed to us here, which you seem to be in favour of.

How could this mechanism help improve the competitiveness of Quebec producers? Could it help?

Mr. François Soucy (Legislative Staff Representative, Political Action and Communications, United Steelworkers): Thank you for your question, Mr. Savard-Tremblay.

The idea is to promote a competitive advantage that we already enjoy in Quebec or in Canada, particularly when it comes to electricity and energy. We have some of the lowest carbon emissions in the world. Quebec producers who operate in the regions need to be protected.

Earlier, when you put questions to other witnesses, you mentioned that you greatly value jobs in the regions of Quebec.

Well, communities across Canada are able to survive thanks to industries. We want to add value to those industries. We want to save communities. We want to keep jobs in Canada. We want to promote aluminum, which is unique to Quebec. We also want to protect communities and jobs in this sector.

Mr. Simon-Pierre Savard-Tremblay: Yes, I think that's one of the risks that has been making the headlines due to the threats of higher tariffs. If there is indeed a danger, if there is one issue that cranks up the pressure, it is dumping. It happens everywhere, and it's a real.

What measures are lacking that would allow the Canada Border Services Agency to provide better oversight and prevention?

Is there a lack of investment or resources?

Mr. François Soucy: Yes, absolutely. That's one of the things we talked about as well.

The CBAM is one of many tools. If we are going to use those tools to protect our industries, our jobs, we need the means to match our ambitions.

Canada imposed a 25% tariff on steel and aluminum imports. The United Steelworkers union worked hard to fight dumping by China. We asked the government to expand the measure to protect steel and aluminum jobs.

If the Canada Border Services Agency isn't resourced to determine where the imported steel is from, there could be a problem. We won't be able to impose the tariff.

There are all kinds of ways around the rules, to get steel and aluminum into the country. Since Chinese steel and aluminum are carbon-intensive, allowing them into the country is at odds with the measure being implemented.

Canada recently brought in new rules for country of melt and pour reporting. It's possible to get around those rules too, such as having the steel transit through another country before it enters Canada.

The government needs to give the Canada Border Services Agency the power to determine where the imported product is from so it can apply the tariffs accordingly.

Mr. Simon-Pierre Savard-Tremblay: You said there was a study on countries, and I would think it covers China. I've also heard things about India when it comes to aluminum. Is—

• (1805)

Mr. François Soucy: I don't have the whole list in front of me. I can look for it on the website of the department that deals with international trade. I saw it recently. I can't tell you all the countries on the list off the top of my head, but there are quite a few.

Mr. Simon-Pierre Savard-Tremblay: Thank you for telling us about it. We can have a look at it.

You talked about a lack of resources, a lack of investment. Could new technology be a way to improve traceability?

Mr. François Soucy: Yes. We aren't talking solely about human resources. We also want investments in technology that would support better traceability.

Mr. Simon-Pierre Savard-Tremblay: Can you talk more about the importance of having a green procurement policy and its role in creating a market for low-carbon materials?

Mr. François Soucy: It's another one of the tools we are asking the government to put in place.

We don't think it's right for the government to be making significant investments in public infrastructure these days without leveraging Canadian-made steel and aluminum. In fact, those products are often imported from countries with very low labour and environmental standards.

For that reason, we think the government should prioritize green procurement. By extension, that would give a big advantage to Canadian producers, as well as those jobs and communities.

[English]

The Chair: You have 40 seconds remaining.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Do you have anything else to add? Would you like to say more on a particular issue?

If there's anything—

Mr. François Soucy: I'm not sure whether I forgot anything.

Mr. Simon-Pierre Savard-Tremblay: —please go ahead, if there is.

Mr. François Soucy: Thank you for your questions.

[English]

The Chair: Thank you very much.

Mr. Desjarlais, please go ahead for six minutes.

Mr. Blake Desjarlais: Thank you very much, Madam Chair.

Thanks to my colleagues for being present. It's always a really fantastic opportunity when we have many labour representatives to help us talk about this.

Of course, Mr. Campbell, it's always good to have an expert mind here as well. I thank you all for being present on this issue.

I think we all agree in many ways that the most important piece to this is protecting Canadian jobs. That's a really important piece, and I think it's the frame you're all coming from. I appreciate that frame because we have serious issues, like the climate crisis and, of course, potential tariffs. Softwood lumber is already facing some of these tariffs, so I'd like to get your perspective on the recommendation by Ms. MacEwen related to why Canada should have a CBAM.

It's an important question, because I think we can very easily take a different approach. There are a couple of steps to understanding why a CBAM is important, so I want to wrap up some of the conversation from my colleague on the Conservative benches and try to answer some of those questions.

I think his question deserves more time, so I'd like to ask all of you, starting with Ms. MacEwen, why having a CBAM is a fair request and fair recommendation for this committee and for our report as a means to protect Canadian jobs and industries and, in particular, to ward off potential threats.

Ms. Angella MacEwen: I think it's really important to understand what a CBAM mechanism does. Globally, many different countries are working towards moving to a low-carbon economy, which often includes pricing or border adjustments. Canada has a price domestically that adds extra costs, but it also means we have much cleaner production.

When we import from countries that haven't done that yet, they don't have to pay the full cost of their environmental damage, so the CBAM applies a cost to level the playing field domestically. Also, if we're monitoring and measuring, as some of the previous witnesses have said, it allows us to be compliant when countries bring on a CBAM so that our industries aren't paying an additional cost when they go overseas. This helps protect domestic jobs and helps protect industries in a global world where people are moving to price carbon.

Mr. Blake Desjarlais: Mr. Campbell, would you like to comment?

Mr. Neil Campbell: I think I said this in my opening, but just briefly, there are two situations that drive you to want it: You have significant carbon costs for your domestic producers and, once you're at that level, you have sectors facing significant imports that are enjoying an advantage, basically, from not paying the same carbon cost. That's what makes it sensible.

That's sensible regardless of what the source is, and it relates to jobs, Canadian companies, production, plants and so on. It's a level playing field.

Mr. Blake Desjarlais: I'll put the same question to the United Steelworkers.

Mr. Troy Lundblad: In general, the CBAM can serve three main purposes.

My colleagues have already identified the levelling of the playing field to ensure that foreign producers are paying the acceptable costs of the carbon they're producing and exporting into the Canadian economy. However, the carbon border adjustment also prevents carbon leakage. It imposes costs on imports equivalent to carbon pricing faced by domestic producers, and that reduces incentives for producers in Canada to relocate production to high-emission or other foreign markets. In that sense, it prevents leakage in carbon and leakage of Canadian jobs overseas. Finally, the carbon border adjustment, if implemented properly, should encourage action globally on climate. It encourages exporting countries to adopt or enhance their carbon pricing or emissions reduction measures if they want access to our markets.

I think it serves those three key purposes.

● (1810)

Mr. Blake Desjarlais: I think that's a fantastic perspective that I share with all of you.

My concern, in part, is the domestic framework that already exists. There are a lot of analytics that go into monitoring and even into the declaration by companies of how much carbon they're producing—being transparent with that. That's a lot of hard work that's already there. That's a valuable piece to this, and Mr. Campbell really hit that point home.

I want to focus now on another important reason we have carbon pricing to begin with in many ways, which is that the cost of the climate crisis is so great. If we could have done away with the climate crisis, we would have. Everybody here would have said that since there's no climate crisis, we'll have no price on pollution or on anything.

That is the kind of world that some people believe exists, but the reality is that we don't live in that world. We live in a world where carbon emissions are harming our industries. We heard from the forestry industry, for example, that they had no revenue in Quebec last year because wildfires stopped them. That is a greater impact. It's a huge impact to the livelihoods and well-being of those in Quebec and those across forestry.

This is part of a plan, I'd say, somewhere within the ABCs of what needs to be done not just to combat the climate crisis but to protect our industries, with a long-term perspective. I think that is the missing piece in this conversation.

Would anyone like to comment on why that's a critical piece to this?

The Chair: Please give a very brief comment.

Ms. Angella MacEwen: If I could just borrow from what Elizabeth Kwan said in the previous panel, you want to skate to where the puck is going. This is where the puck is going, and an industrial strategy that recognizes that and puts in place the supports we need to get there is how we're going to be successful and weather the storm.

Mr. Blake Desjarlais: Thank you very much.

The Chair: Thank you very much.

Mr. Jeneroux, you have five minutes.

Mr. Matt Jeneroux: Thank you, Madam Chair.

Thank you, everybody, for taking the time on a Wednesday evening, right before we break, to be here with us today.

To get a bit of clarification, I'll start with you, Mr. Campbell, and then maybe move on to you, Ms. MacEwen.

Mr. Campbell, to follow up on some of your comments earlier, to cut right to it, would you support the government enacting these measures unilaterally without the United States and Mexico following suit?

Mr. Neil Campbell: It would make sense to develop this in parallel with the negotiation strategy around CUSMA and have the opportunity to decide whether to go ahead without it or do something that may introduce very interesting possibilities in that negotiation.

One possibility is that the U.S. will want to do something that blocks carbon beyond a particular standard. They may do something that turns out not to be WTO-compliant. We might decide to do something that aligns with that to some degree and could be WTO-compliant. I'm talking about, for example, a standard plus an associated price where we treat all domestics and foreigners on a level playing field even if they chose not to do that. I can't guarantee this would work, but it's conceivable to do a bilateral or regional trade agreement that might have some specific different treatment.

This could be the subject of a negotiated resolution vis-à-vis the United States and Mexico in a CUSMA negotiation that might be different from what Canada would do elsewhere. That's tricky but not out of the question, from a trade law point of view.

Mr. Matt Jeneroux: I want to get back to some of that, but I'll quickly give Ms. MacEwen an opportunity to respond first. Then I'll go from there.

Ms. Angella MacEwen: What I recommended was that you go into the negotiations open to the possibility of trying to have the CBAM and trying to make a level playing field. The goal with trade negotiations is to try to create a level playing field, so it makes sense to go in there and have that as part of the conversation and negotiations.

• (1815)

Mr. Matt Jeneroux: You mean going into the trade negotiations trying to convince the new administration that the CBAM is a good idea?

Ms. Angella MacEwen: Yes—that this is part of our policy.

Mr. Matt Jeneroux: Do you think that would be successful?

Ms. Angella MacEwen: Yes.

Mr. Matt Jeneroux: Do you think that would be successful in negotiation with the new administration?

Ms. Angella MacEwen: It would be successful to include it in the tool box for negotiations, yes, which is different from unilaterally going forward with something.

Mr. Matt Jeneroux: I understand that, but the question is, do you think that approach would be successful with the new administration?

Ms. Angella MacEwen: I've already answered that—yes.

Mr. Matt Jeneroux: You said that it's part of the tool box, but do you think this particular policy will be successful with the new administration?

Ms. Angella MacEwen: I think that having it in the tool box will result in a more successful negotiation.

Mr. Matt Jeneroux: Your testimony is that you think this is possible to move forward in a Trump administration.

Ms. Angella MacEwen: I'm not sure what part is confusing to you, sir.

Mr. Matt Jeneroux: I'm trying to clarify this with you, Ms. MacEwen.

Ms. Angella MacEwen: I said yes.

Mr. Matt Jeneroux: You said that, yes, this should be in the tool box. I'm asking you—

Ms. Angella MacEwen: I said yes and that having it in the tool box will result in a more successful outcome in the negotiations.

Mr. Matt Jeneroux: I'm simply trying to ask you a question, Ms. MacEwen. There's no undertone. I'm not trying to take a partisan approach. I just feel that this is—

Ms. Angella MacEwen: I didn't suggest there was.

The Chair: Let's just keep going.

Mr. Matt Jeneroux: I would love to hear CUPE's response to this. Maybe we could ask for a response in writing on this particular approach because I'm obviously not getting a response.

Mr. Campbell, I'll go back to you. Some of your comments were about a future where there's a parallel conversation about the CBAM and a trade agreement. Are you suggesting that we should work on the CBAM policy piece at the same time as we're doing a CUSMA-type agreement? Depending on what happens with CUSMA, do we pivot or not pivot? If it's unsuccessful, do we scrap the CBAM?

Mr. Neil Campbell: I think you should certainly be working on it in parallel. It gives you options.

Mr. Matt Jeneroux: Your testimony is that we should start now on a lot of this. If we were to start now, we would be two or three years out from this particular policy, based on what we saw with the European Union. With CUSMA, we're then playing the long game, and ultimately, we're looking at potentially dealing with a second administration when it comes into force. Would that not be correct?

The Chair: Give a brief response if possible, please.

Mr. Neil Campbell: There could be, before we're done. It's a long process, but you're obviously starting the big development early on, and you go as you go. This is a very unpredictable environment.

Mr. Matt Jeneroux: Thank you.

The Chair: Thank you very much.

Mr. Sheehan, you have five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much to all of our presenters. It's been very informative testimony thus far.

Manny mentioned the investments we're making in the electric arc furnaces that were identified as being much lower in carbon intensity. In Sault Ste. Marie, the \$420-million investment will, when the project is done, reduce emissions by 70%. It's like taking a million gas-powered cars off the road. It's generational funding because the world changes. We asked the Canadian Steel Producers Association why the steel industry made these investments. We asked Catherine Cobden. She said that's where the market is going. This is the path we're on.

My first question is for the United Steelworkers.

I was listening to your testimony, and listening to Marty's testimony previously, on taking a look at the CBAM as a possible way to help us continue to stop cheap Chinese dumped steel. We put on a 25% tariff, which is in lockstep with the Americans right now—and I'd like you to explain that—but could a CBAM potentially put on another layer of protection?

Mr. Troy Lundblad: Yes, I think so. I think it's important to give credit where credit is due. Recent policy initiatives taken by the government have included the section 53 tariffs on Chinese steel and aluminum; improved monitoring at the border, although we think we could do more and devote more resources there; and the move in November to implement “melt and pour” requirements on imported steel. There also seems to be movement on “smelt and

cast” requirements on aluminum. There was recently consultation there. These are all things we can do to protect our domestic industry vis-à-vis the most significant threat in steel and aluminum, which is excess capacity in the global market and the dumping and trade circumvention of steel and aluminum sourced in China.

As for moving to a carbon border adjustment mechanism, we recognize, as your colleague Mr. Desjarlais stated, that something needs to be done to mitigate carbon and address climate change. However, we have to ensure that our domestic producers aren't unfairly treated vis-à-vis foreign producers that are producing dirtier steel. It's counterproductive if we put a price on carbon in our domestic market for domestic producers and don't put a similar price elsewhere to ensure fair competition in our market and reduce carbon leakage.

● (1820)

Mr. Terry Sheehan: I think there's another advantage too. I'm from a steel town. I was born and bred there. I have relatives who worked in the coke ovens. My brother-in-law's dad worked there. They used to get extra pension credits because working in the coke ovens with carbon is hard on the body. So it's not only good in this macro sense; it's also good for the worker, the everyday worker who goes into work and then goes home. I know that a lot of what you do at United Steelworkers is represent the workers who have cases related to health. I just wanted to make that point.

Angella, I'd like to go back to a comment you made. After Trump was elected, I mentioned to some of our trade officials—because I didn't know which way the CBAM could go—that I was looking forward to this study. You said it will give us a potential chip on the table in negotiations. Could you please elaborate on this chip that could be worth something?

Ms. Angella MacEwen: Sure.

Unions often negotiate. It's a big part of what we do. When you're going into negotiations, you don't necessarily take difficult things off the table before you get to the negotiations. You want to keep all the bargaining chips you could possibly have in your tool box so that when they're asking you to give something up for something you want, you have something you can give up, potentially. You also want to work towards a longer-term goal where you're normalizing the idea that carbon price fairness, levelling the playing field, is something you want long term.

The Chair: Be brief, Mr. Sheehan.

Mr. Terry Sheehan: I'll be very brief.

Perhaps you could submit this in writing. Europe brags that labour unions were born there during the Industrial Revolution. Has the European Union done any kind of analysis on what the CBAM would do for workers?

If you have anything, just send it in writing. We don't have time to discuss it.

Ms. Angella MacEwen: Absolutely. I can check with our European counterparts on the CETA DAG and get back to you.

Mr. Terry Sheehan: Thank you. It will help us think.

The Chair: Thank you very much.

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

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Ms. MacEwen, I imagine you're quite familiar with the carbon market between Quebec and California.

[*English*]

Ms. Angella MacEwen: Yes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: How could the mechanism we are talking about align with Quebec's system?

[*English*]

Ms. Angella MacEwen: That is very interesting. I actually don't have that expertise. I'm sorry.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Do any of the other union representatives want to answer or weigh in on the subject?

Go ahead, Mr. Campbell.

[*English*]

Mr. Neil Campbell: I'm not a climate policy expert, but I will offer a couple of comments from a trade law perspective.

If you're doing a border carbon adjustment, there is no reason Canada cannot recognize carbon priced in the U.S.—in the California system or the other dozen or so states. We could use that as part of a carbon border adjustment mechanism. From our point of view, from a trade law point of view in Canada, keeping national treatment in mind, we probably need to work toward charging a border carbon adjustment that reflects the federal benchmark, because for-

eigners should be entitled to national treatment, the best treatment, like anybody in Canada.

We probably wouldn't gear it precisely to Quebec. That doesn't mean it wouldn't be close. We would just work from a federal minimum standard, if I can put it that way.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: If I understand correctly, you think the Quebec-California carbon exchange could be a good model for the rest of Canada.

• (1825)

[*English*]

Mr. Neil Campbell: Again, I'll confine myself to the trade law aspects of it: It's potentially used within that context.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I see Ms. MacEwen nodding.

For the record, would you say that you agree?

[*English*]

Ms. Angella MacEwen: Yes, of course, because it's a proven market. It could certainly be used as an example of something that's been successful in levelling the playing field between trading partners.

The Chair: You have 25 seconds.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Do the United Steelworkers representatives want to add anything?

Mr. François Soucy: I agree.

Some hon. members: Oh, oh!

[*English*]

The Chair: Thank you very much.

Mr. Desjarlais, the floor is yours.

Mr. Blake Desjarlais: Thank you very much, Madam Chair.

I appreciate the comments from my Bloc Québécois colleague. It is a very interesting question, and I think we'll have to review sometime in the future, as it relates to this study, the existing model in Quebec and the integration potential. That's a large enough question, but it's beside the point and I digress.

To really hammer it down in our recommendations, I want to get to the importance of CBAMs as a tool in the tool box for Canadians. It's true that we're on the steps of a climate crisis. We need carbon pricing in the country. New Democrats in particular were concerned about the type of carbon pricing that exists in Canada today, but largely, we accept the principle of carbon pricing, as it needs to hit and, most particularly, look at the highest-emitting producers and industries. That's where we believe carbon pricing is most effective, but if it's going to exist, it's up against a backdrop of policy alternatives.

The alternative, of course, is the Conservative position, which is to not have a carbon pricing mechanism in Canada. From my perspective, the Conservative proposal would obviously result in a larger acceleration of the climate crisis. Maybe there would be multiple seasons where the forestry industries in Quebec don't have any harvesting ability, or multiple seasons with huge impacts on agriculture. This is rather than regulating or trying to regulate the immense emissions that are polluting our atmosphere.

Those two positions are the ones that I think Canadians are stuck between right now. What is your advice to Canadians when they hear these two solutions, and what do they mean for their jobs and their futures?

Go ahead, Ms. MacEwen.

Ms. Angella MacEwen: That's a very big question. Certainly you can try to make the carbon price more fair and more effective, but globally, we are moving towards pricing carbon. If we were to get rid of a carbon price in Canada, our exporters would likely be penalized for that globally, as they're paying carbon border adjustments in other places.

When we have an industrial strategy recognizing that this is where we're moving, we can support industries in making the transitions they need to make, whether that's with research and development or with an investment in infrastructure that will help them reach their goals. That is how we keep good-paying jobs in Canada and go on a more successful path where we are both reducing climate emissions and protecting industry and jobs in Canada.

Mr. Blake Desjarlais: Thank you very much.

The Chair: Thank you to our witnesses for the valuable testimony.

To members, we have no meeting on Monday—if everybody recalls that from last week. I wish everybody a very merry Christmas. Everybody should get a good rest and come back ready to battle the world in 2025.

The meeting is adjourned.

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