



Canada 2017-2018

This scorecard is mainly a comparison with the U.S., our chief competition for new investments in the sector. Canada's rich natural resource base, skilled workforce and competitive tax environment offer opportunities for value-added resource upgrading and chemical manufacturing. But the U.S. and other global competitors are actively pursuing these same investments and Canada is missing out. Energy resources in particular natural gas, require access to new markets to spur development which will provide the opportunity to access incremental natural gas liquids (NLGs) for use in the chemical sector. The lower Canadian dollar is helping cushion some competitive impacts in areas such as energy, feedstocks, logistics and labour costs but that benefit has diminished in 2017 as the economy adjusts. The Canadian government must be aggressive in addressing these competitiveness challenges to attract new investment. Specifically, the Chemistry Industry Association of Canada (CIAC) recommends the government:

- Take a long-term view and target natural resource upgrading options available to industry for adding value to energy resources in Canada; Ensure that our goods move safely, efficiently and competitively to markets (e.g. improvements in trade facilitation, market access, and freight rail levels of service); and
- Prepare to re-negotiate the North America Free Trade Agreement (NAFTA) to maintain access to this key export market.

CATEGORY	COMPETITIVENESS COMPARISON	TREND	COMMENTS
Corporate Taxation & Fiscal Policy	==	■	Continue the sound stewardship of public finances and keep the corporate tax rate competitive. Investments are going to U.S. locations which offer targeted incentives that reduce/remove the overall tax burden for chemistry facilities. Make current accelerated capital cost allowance (ACCA) permanent to improve long-term investor certainty, and introduce a 100% ACCA for one business cycle. Monitor U.S. tax reform plans: potential game-changer.
Environment, Health & Safety	-	▼	Canada, in acting earlier than the U.S. on climate change, must offer chemistry producers a long-term cost-effective compliance pathway to encourage investments needed to deliver green house gas (GHG) reductions while retaining their ability to develop the low-carbon value-add products needed by society.
Manufacturing Base/Critical Mass	-	■	The chemistry sector is a key supplier of inputs to Canada's entire industrial base. The U.S. has moved away from strict climate change regulation and is growing its manufacturing base using low cost energy (shale gas). Canada needs to recognize its resource potential and seize the same opportunity.
Energy (Supply/Pricing)	==	▼	In the U.S. shale-based energy supply is increasing, reducing Canada's export potential. Pipeline and market access constraints in Canada for oil and gas limit overall energy supply growth trends. Low cost of North American natural gas relative to global oil prices is helping the chemistry industry competitiveness. Electricity rate increases in Canada coupled with decreasing prices in the U.S. are hurting competitiveness. Negative pricing trends are somewhat softened by the currently lower Canadian dollar.
Raw Materials/ Feedstocks	==	▼	Access to competitively-priced feedstock is critical for the chemistry industry. Opportunities exist to create jobs and wealth by conversion of a portion of resources like natural gas into value-added manufactured products. Low U.S. feedstock prices and increased supply are pushing Canada out of our traditional export markets. Alternative export markets for natural gas are critical to long-term growth in NGL supply.
Logistics	==	■	Rail freight level of service continues to decline while rates continue to rise. Investors are inclined to invest inside the U.S. market to hedge against logistical uncertainty and to guarantee access to tidewater. Proximity to U.S. markets is an advantage, but there is a need to improve two-way market access at the border.
Workforce Supply/ Construction Costs	==	▲	A cooling off period for new construction in the energy sector continues to improve the construction cost disadvantage once faced by the sector. Aging workforce could impact future supply of skilled trades; we must work to attract and retain skilled workers. In an increasingly global workforce environment, Canada will need to maintain its ability to access specialty skills.

COMPETITIVENESS OVER COMPETING JURISDICTIONS

Advantage
 Neutral
 Disadvantage

Based on indices used by the
World Economic Forum

TREND IN COMPETITIVENESS SINCE 2016/2017

Improving
 Unchanged
 Declining



Canada's Chemistry Sector by the Numbers¹

CIAC's membership is a key sub-sector of Canada's chemical sector (NAICS 325): Industrial Chemicals (NAICS 3251 + 3252).²

- ✓ Shipments of \$53B (\$26B for industrial chemicals) in 2016
- ✓ Industrial chemicals shipments are concentrated in Alberta (46%), Ontario (36%) and Quebec (15%)
- ✓ Exports valued at \$39B – second only to automotive exports (\$26B for industrial chemicals)
- ✓ Employment 86,700 with a multiplier impact estimated at 520,000 (17,500 for industrial chemicals)
- ✓ Over 39% of employees are university graduates
- ✓ Average salary \$62,300 (\$81,500 for industrial chemicals)
- ✓ Solutions provider touching over 90% of Canadian manufacturing

Keystone to Value-Added Manufacturing



¹Source: Industry Canada with data from Statistics Canada | For further data on the sector see [CIAC's Chemistry Industry Economic Profile 2017](#)

²NAICS 3251 + 3252 - Chemical Manufacturing + Resin, Synthetic Rubber, and Artificial Synthetic Fibers and Filaments Manufacturing