CHEMISTRY INDUSTRY ASSOCIATION OF CANADA

Competitiveness Scorecard
Chemical Sector

Responsible Care® Our commitment to sustainability.

Canada 2018-2019

This scorecard is mainly a comparison with the U.S., our chief competition for new investments in the sector. In 2017 the U.S. moved aggressively to enhance its business climate. In addition to reducing the regulatory burden for chemistry businesses the government passed its first major individual and business taxation overhaul in 30 years. In the U.S. the adoption of a low corporate tax rate of 21%, a 100% immediate depreciation for capital investment and an intention to make the U.S. an “energy superpower,” has significantly increased the competitive position. Canada still retains a world class resource base, a talented workforce, a strong chemistry sector and provincial governments actively supporting the chemistry sector, but the investment landscape has changed. 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
- Begin a wholesale review of Canada’s taxation system to ensure we remain competitive and specifically consider decreasing the corporate income tax rate and introducing 100% accelerated capital cost allowance for capital investments to match the U.S.

CATEGORY	COMPETITIVENESS COMPARISON	TREND	COMMENTS
Corporate Taxation & Fiscal Policy	▬	▼	The U.S. has passed a major overhaul of taxation, strengthening its investment position. Canada’s once strong competitive tax position has eroded. Canada must begin a wholesale review of our business tax position to ensure that our investment climate remains competitive and to counter the aggressive policies in the U.S. Canada has begun using targeted incentives similar to those available in the U.S. and this has helped attract investment.
Environment, Health & Safety	▬	▼	Canada, is moving aggressively on climate change policy, creating multiple layers of regulatory burden and overlap with provinces. Canada must offer chemical producers a cost-effective compliance pathway to encourage investments needed to deliver GHG reductions while retaining their ability to develop low-carbon value-add products.
Manufacturing Base/Critical Mass	▬	■	The chemical 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 its resource bounty. Canada needs to have its levels of government acting in a coordinated manner to ensure that we achieve our potential.
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 chemical industry competitiveness. High electricity prices in Canada continue to act as a drag on investment.
Raw Materials/ Feedstocks	=	△	Access to competitively-priced NGL feedstock is critical for the chemical industry. Low U.S. feedstock prices and increased supply are pushing Canada out of our traditional export markets but are helping central Canadian chemistry companies become more competitive. Recent policy developments incenting NGL extraction in Alberta are laudable but Canada needs to increase its access to alternative export markets to further improve NGL access.
Logistics	=	▼	The sunsetting of extended interswitching in the prairie provinces and significant service challenges over the winter have decreased limited competition and forced members to curtail production. Additionally, labour issues have also led to increased uncertainty. Bill C-49 has not had the once anticipated quick passage but could help rebalance the relationship between shippers and carriers through enhanced data provisions.
Workforce Supply/ Construction Costs	=	△	A cooling off period for new construction in the energy sector and rising costs in the USGC continues to improve the construction cost disadvantage once faced by the sector in Canada. 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 improve 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 2017/2018

△ Improving ■ Unchanged ▼ Declining

Economic Performance

- Shipments increased slightly to $52.2 B, with growth being seen in all regions of Canada. Based on the value of shipments, the overall industry is concentrated in the provinces of Alberta (28%), Ontario (43%) and Quebec (18%).
- Second largest exporter among all manufacturing industries - $35.4 B
- Third largest manufacturing industry based on shipments
- Fourth in average salary - $67,900; higher still for industrial chemicals -$84,000
- Seventh largest manufacturing employer – 87,300
- Nearly 40% of employees are university graduates, second only to information technology

Canada's Chemical Sector
Keystone to Value-Added Manufacturing