



Ontario Chemistry Industry

Pre-budget submission

January 2016



**CHEMISTRY INDUSTRY
ASSOCIATION OF CANADA**



Responsible Care®
Our commitment to sustainability.

Who we are

The Chemistry Industry Association of Canada (CIAC) represents leading companies engaged in the manufacture of industrial chemicals in Canada. The products that we produce are critical inputs to almost all other manufacturing industries. Responsible Care®, the association's UN-recognized sustainability initiative, is a requirement of membership in CIAC. Through Responsible Care, member-companies work with all stakeholders in support of innovation for safer products and processes, which conserve resources and improve people's lives and the environment.

We add value to Canada's natural resources

Chemistry is an enabling industry, uniquely positioned in the value chain between raw natural resources and downstream manufacturing industries selling goods to consumers. Our members use inputs like natural gas, crude oil, minerals and biomass and convert them into value-added products, adding 10 times and more to the initial value of the raw resource. When these products are further upgraded by our customers into products such as automotive parts, packaging, medical devices, and communication equipment, the value-added multiple increases even more.

We are an important part of the economy

The chemistry industry had annual output of \$23 billion in Ontario in 2014, the third-largest manufacturing sector in the province. The chemical industry is the second-largest exporter, shipping \$19 billion worth of goods to global markets in 2014. We directly employ 40,500 Ontarians, and indirectly support another 200,000 jobs in the province. Ours is a highly skilled, highly-paid, workforce.

We are growing

For more than two decades the industry was in decline in the province, but we are now starting to see resurgence. CIAC member-companies have invested over \$1 billion in new production capacity in Ontario since 2010, driven by a number of factors, mainly:

- the combined federal/provincial corporate tax rate of 25%;
- accelerated capital cost allowance treatment on manufacturing machinery;
- Sarnia's proximity to cost-competitive shale gas in the northeastern United States;
- the commercialization of technologies for producing chemicals from biomass.

Our recommendations

CIAC, on behalf of its members, welcomes the opportunity to provide input to the 2016 pre-budget consultation. We acknowledge that the province faces significant fiscal challenges that will need to be addressed with bold decisions that rethink the role of Government. We are concerned that efforts to reduce the deficit will lead to increases in corporate tax or other measures that will undermine the economy and jeopardize the attractiveness of Ontario as an investment location.

Part of the solution to the fiscal challenge needs to stimulate growth in the economy. We forecast that our members could invest another \$5 billion in Ontario over the coming decade given the right investment climate. We therefore recommend that:

- The corporate tax rate for manufacturing remain at 10%.
- A plan is needed to put the province on a path toward restoring competitive industrial electricity rates. Programs are especially needed for smaller facilities, as well as large facilities with continuous 24 hour non-dispatchable operations.
- Care must be taken to ensure that the cap and trade program does not impair competitiveness relative to other jurisdictions, particularly the United States. We support greenhouse gas emissions reduction, and have been documenting our achievements in this regard for over 20 years. Since 1992, absolute emissions of greenhouse gases from the Ontario chemistry sector have declined by 88%. However, we are a globally-integrated, export-intensive industry. Ontario must compete for both market share, and plant investment on a global basis. A made-in-Ontario approach that does not take into account the realities of energy-intensive, trade-exposed sectors like ours will ultimately undermine the economic position of the province.
- Processes be put in place to reduce the time taken to receive Environmental Compliance Approvals. Ironically most of these applications include initiatives that will lead to improved environmental performance, yet our members often experience delays approaching 24 months to receive approvals.
- The Ontario Retirement Pension Plan must be implemented in a fashion that does not add significant incremental costs on companies that already have retirement plans in place. We remain committed to working with the Government to achieve a good outcome for employers and employees.
- A buffer zone regulation should be developed to restrict encroachment around industrial sites by residential and commercial developers. This is necessary to protect public safety and to ensure the ongoing viability of existing industrial installations.

Finally, there is an urgent need for the province to announce a strategy to revitalize manufacturing in the province and return Ontario to its position of economic prominence within Canada.