



Federal Budget 2016

Canada's Chemistry Industry: Poised for Growth

Submission to the Minister of Finance
February 2016



CHEMISTRY INDUSTRY
ASSOCIATION OF CANADA



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Canada's Chemistry Industry

The Chemistry Industry Association of Canada (CIAC) represents the country's leading industrial chemistry companies. Industry shipments in 2015 were \$53 billion, making it the fourth-largest manufacturing sector in Canada. Exports reached \$38 billion – an all-time record and placed the industry second behind automotive. The industry is an important contributor to Canada's economy, adding value to our rich endowment of natural resources. Converting resources like natural gas, oil and minerals into chemicals adds 10 times and more to the value of the raw material. We are also a large employer, directly responsible for 85,000 highly-skilled, well-paid jobs.

North American development of shale gas resources has resulted in natural gas prices that are among the lowest in the world. This is doubly important to petrochemical companies because natural gas is a source of energy, and even more importantly, a source of feedstock. In most other parts of the world, petrochemicals are derived from crude oil. Even with today's low oil prices, Canadian petrochemical producers remain very competitive internationally.

The American Chemistry Council estimates that US\$160 billion in new chemistry industry investments have been announced for North America, driven largely by the shale gas phenomenon. A small share of this investment has come to Canada, and we believe there is strong potential to attract a much larger share. Doing so will require investment-decision factors be made as attractive as possible.

The remainder of our submission highlights areas in which the federal government can help create an attractive investment climate.

Taxation

The 15 per cent corporate tax rate for manufacturing provides Canada with an important advantage, particularly compared to our major competitor for new investment – the United States.

The 10-year extension of Accelerated Capital Cost Allowance (ACCA) provisions for new manufacturing machinery announced in Budget 2015 represents a big step toward attracting investment to Canada. Large chemical projects often take 5+ years from concept to production so having ACCA in place for an extended period of time allows companies to factor its impact into their investment location decision-making process.

These tax advantages must be retained.

Rail

Economic incentives to encourage investment in needed rail infrastructure are critical to achieving the multiple and interrelated safety, efficiency and competitiveness goals.

Rail is the primary mode of transportation to move our products to North American markets and to ports for shipping to off-shore markets. Our members move over 70 per cent of tonnage by rail and there is no economically viable alternative. As such, the safety, accessibility, and level of service offered by Canada's railroads continue to be of paramount importance to our member companies.

Climate change

Climate change policy must recognize the international competitiveness impacts that can be caused by imposing additional charges on companies operating in Canada that are not borne by companies in competing jurisdictions. All of the provinces where our members are clustered have, or are developing, climate change policies. Any actions by the federal government in this area should be complementary to provincial actions rather than duplicative in order to minimize the complexity for companies in complying with regulations issued by various levels of government.

Conclusion

The North American chemistry industry is leading all industries in attracting new investment. Canada has received a portion of this investment, and the prospects for even-better performance in the coming years are good. Now is the time for all stakeholders to put their best foot forward so that this opportunity is maximized. Canada needs to pay particular attention to securing new investment and retaining existing manufacturing jobs as we aim to be globally competitive.

Who We Are

The Chemistry Industry Association of Canada (CIAC) is the voice of Canada's chemistry industry. We represent more than 50 chemistry companies and transportation partners across the country - from Canada's largest petrochemical, inorganic and specialty chemical producers, to bio-based manufacturers and chemistry-related technology and R&D companies. The CIAC is also recognized as a world leader in the sustainable stewardship of chemical products through its acclaimed Responsible Care[®] initiative. For a complete list of Members and Partners see our web site: www.canadianchemistry.ca.