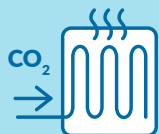


Investing in decarbonized chemistry to strengthen Canada's economy

Chemistry and plastics is Canada's fourth largest manufacturing sector. To compete with other countries and jurisdictions while reducing emissions, significant investment is needed. Canada's **\$200-300 billion** in chemistry production infrastructure is several decades old and must be modernized to decarbonize the chemical and plastic production process.

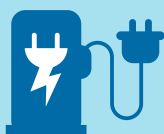
There is a five-part pathway to transition the global chemistry industry to low carbon:



Carbon Capture Storage and Utilization



Hydrogen



Electrification



Feed stock switching to lower carbon resources, including biomass



Building circularity for our downstream products



Decarbonizing the Canadian Chemical and Fertilizer Industry

March 2023
Prepared by: Ollie Sheldrick, Program Manager, Clean Economy
CLEAN ENERGY CANADA

Canada is one of two regions (along with the U.S.) globally capable of leveraging all these pathways to support the chemistry and plastic sector transformation to net zero. Chemistry also supports other sectors of the economy reach their climate goals.

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To achieve this, chemistry and plastics in Canada requires:

- **Transparent and predictable** investment incentives that solidify Canada's competitiveness and create sustainable, well-paying jobs.
- Developing a **circular economy for plastics** is crucial as demand for plastic continues to rise. Today's supply of recycled plastics only meets six per cent of real demand. Nearly 60 per cent of future plastic product demand could be met with previously used plastics.

Specific action required to strengthen the sector:

- Previously announced **Investment Tax Credits** for Carbon Capture Utilization and Storage, Clean Hydrogen, Clean Manufacturing and Clean Electricity production should be signed into law with the 2023 Fall Economic Statement or in the 2024 Federal Budget at the latest.
- Extend the **Accelerated Capital Cost Allowance** programs until at least 2040 with no phase out or wind down until 2030 to better align with Canada's ITC timelines.
- To successfully develop a **circular economy for plastics**, investment is needed. Canada's recycling infrastructure capacity gap will require capital investment of \$4.6 - \$6.5 billion. Governments and industry must work together to deliver a plastics circularity roadmap for recycling infrastructure investments.
- The federal government must undertake a review of the **Science Research and Experimental** Development program announced in Budget 2022 and recommitted to in the 2022 Fall Economic Statement. The program review should be open to new approaches making SR&ED more fit for purpose and accessible.

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