



CHEMISTRY INDUSTRY
ASSOCIATION OF CANADA

Chemistry Industry 2024 Alberta Pre-Budget Consultation



Submitted January 19, 2024



The Chemistry Industry Association of Canada (CIAC) is pleased to provide input into the Government of Alberta's 2024 budget consultations. CIAC represents leaders in Canada's chemistry and plastic sectors. We provide coordination and leadership on key issues including innovation, investment, plastics, taxation, climate, health and safety, environment, and regulatory initiatives.

Collectively our members represent a very important segment of the Alberta economy, directly employing approximately 13,000 people and contributing \$19 billion to the provincial economy annually. Alberta's chemistry industry is the largest value-added manufacturing industry in the province and is poised to invest tens of billions into new projects over the next decade. This includes potential investments in the production and transportation of hydrogen by carriers, such as ammonia and methanol, which will be a key component to decarbonizing the provincial, national, and global economy.

The positive investment environment here in Alberta is made possible due to the advantages Alberta has over competing jurisdictions, namely abundant, low-cost, low-carbon domestic feedstock, a talented and skilled labour force and established and emerging clusters with key infrastructure. The Alberta Petrochemical Incentive Program (APIP), the recently announced Alberta Carbon Capture Incentive Program (ACCIP) and other commitments to supporting the chemistry and plastics sector are also key reasons Alberta has become an attractive destination for new investments.

With the above in mind, CIAC submits the following recommendations we believe will further enhance Alberta's ability to attract more investment and create jobs.

1. The Government of Alberta should work with industries to create transparent and broad-based eligibility criteria and design principles for the Alberta Carbon Capture Incentive Program.

A significant challenge facing many industries relates to attracting the necessary capital needed to decarbonize supply chains. To succeed, the chemistry and plastics sectors must attract hundreds of billions of dollars of new investments in the coming decades. We believe the ACCIP will provide much needed predictability and support for our members' long term decarbonization goals and attract the billions of dollars in investments needed. To ensure maximum return on the investment Alberta is making through the program, we encourage the government to ensure eligibility of the program is broad-based and that the specific design elements are clear, predictable and transparent. More specifically, we recommend:

- Implement clear and predictable eligibility criteria similar to that in the existing Alberta Petrochemical Incentive Program (APIP).
- The eligibility list should be as broad as possible, including utilization, sequestration, transportation, and storage. This should be inclusive of CO₂ utilization for the production of additional petrochemicals, such as methanol.
- A company should have the ability to apply for funding for projects that are underway before the program is finalized, similar to the federal CCUS ITC, where expenses as of January 1, 2022, are eligible.
- ACCIP funding should not be tied to meeting specific sequestration/capture amounts. CIAC supports the

recent changes made to the APIP program that allow for more flexibility in achieving minimum production thresholds to receive the full value of the grant. However, we do not believe such requirements are appropriate under the ACCIP.

- Consider enabling ACCIP in the year of expenditure, similar to the federal CCUS ITC. This provision would be particularly impactful to CCUS projects, as they take several years to build, with long-lead items ordered well in advance of start-up.
- Consider project phasing within ACCIP. With carbon storage hub projects being contemplated across the province, it will be important to consider how to recognize all phases of these projects within ACCIP to allow project proponents and hub operators to build projects in an efficient manner.
- Finalizing ACCIP as quickly as possible to provide certainty to project proponents, particularly given that the proposed federal CCUS ITC percentage is reduced by half beginning January 1, 2031.

2. Redirect a portion of proceeds from the Technology Innovation and Emissions Reduction (TIER) fund back to individual companies for decarbonization projects, providing an alternative mechanism that would efficiently support reductions in the province through new investment.

The CIAC has long supported Alberta's industrial carbon pricing system, which provides a key signal to decarbonize. Chemistry is an emissions intensive, trade exposed industry and the increase in carbon price will create a significant decarbonization investment signal. It also has the potential to impact the competitiveness of current facilities and investments. This risk can be mitigated by establishing mechanisms that will allow for the recycling of revenues directly back to industry to invest in their operations to lower GHG emissions. This is something that is currently being contemplated in Ontario where the government recently announced plans to recycle 100% of proceeds from industrial emissions back to emitters.

CIAC urges the Alberta government to work with industry and other stakeholder to determine the appropriate mechanism that would have the greatest impact on reducing emissions from regulated facilities. One such mechanism could be to establish individual accounts for Large Final Emitters' (LFE) compliance payments under the TIER regulation. At the approval of the Ministry, regulated facilities would then be able to draw from this account for re-investment in approved decarbonization projects to improve the facility's GHG emissions intensity. The ability to draw on the individual accounts should be time-limited, and any unused funds could then be directed towards a sectoral or broader fund. The pool of unused funds should then be made available to any company through a competitive application process that is timely, predictable, and transparent.

3. Continue to collaborate with industry and other stakeholders on ways to support investments in a circular economy for plastics.

CIAC is supportive of the government's ongoing commitment to establishing Alberta as a center of excellence for plastics diversion and recycling by 2030. The development on Extended Producer Responsibility Regulations that recognize the role of advanced recycling is an important first step that Alberta has taken to build markets and support innovation for enhanced collection, recycling and recovery of plastics. However, it is critical that the further actions are taken so Alberta can take advantage of the investment opportunities related to advancing a circular economy for plastics. These include:

- Developing standardized, supportive policies that consider chemical recycling and energy from waste as "diversion".
- Include investments in mechanical and advanced recycling in the advanced manufacturing incentive program that is currently being contemplated by the Ministry of Jobs, Economy, and Trade.

4. **Collaborate with the federal government to ensure federal investment policies are conducive to growth in Alberta's chemistry and plastics sectors.**

Various federal investment policies and programs have the potential to help ensure Alberta's chemistry and plastics sectors to attract the capital necessary to decarbonize current operations and attract investments into new projects that will be critical to decarbonizing the provincial, national and international economy. The Accelerated Capital Cost Allowance (ACCA), CCUS ITC, and Clean Hydrogen Investment Tax Credit (CHITC) are of particular interest to CIAC and its members.

Accelerated Capital Cost Allowance - The 100 per cent ACCA program is set to operate through 2028, subject to a phase-out for property that becomes available for use after 2023. CIAC recommends that the allowance should be made permanent to provide long-term certainty to capital intensive investors.

Carbon Capture Utilization and Storage Investment Tax Credit - The CCUS ITC is planned to be in effect from January 1, 2022 until the end of 2040. This proposed ITC recognizes the long-term planning required to bring decarbonization technologies to scale and massive capital investment required for CCUS projects. We encourage the Alberta Government to work closely with their federal counterparts to reduce any unnecessary administrative burden in gaining access to the CCUS ITC. We strongly encourage the Alberta government to promote timely finalization of the CCUS ITC, as it is a critical decarbonization lever given Alberta's pore space resources.

Clean Hydrogen Investment Tax Credit – With the recent release of the draft legislative proposal for the CHITC, Alberta policymakers should consider the development of additional provincial programs that would strengthen the incentive to encourage clean hydrogen investments in Alberta. It will also be important to understand the potential applicability of proposed carbon intensities to potential hydrogen production from Alberta.