CHEMISTRY INDUSTRY ASSOCIATION OF CANADA

Chemistry Industry

2025 Alberta Pre-Budget Consultation

SUBMISSION TO
The Standing Committee on
Finance and Economic Affairs
January 12, 2025

The Chemistry Industry Association of Canada (CIAC) is pleased to provide input into the Government of Alberta's 2025 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.

The chemistry and plastics sector is a cornerstone of Alberta's economy, leveraging the province's abundant natural gas reserves. Anchored by industrial clusters in the Industrial Heartland region near Edmonton, central Alberta, near Red Deer, in Medicine Hat, and growing in size and scope near Grande Prairie, the sector supports significant industrial growth and economic diversification. In 2023, Alberta's chemistry industry had shipments valued at $16.8 billion. The industry employed 8,649 people in the province, an increase of 2.7 per cent compared to 2022, with an average annual salary of $96,990, surpassing the provincial manufacturing average of $71,000. Additionally, the sector enhances Alberta's trade relationships through substantial exports, with the province's chemical exports valued at $10.2 billion in 2023, positioning chemicals as the second-largest manufacturing export from the province.

Looking ahead, the chemistry and plastics sector is poised for further innovation and growth. We believe Alberta can establish itself as a global leader in advanced recycling and sustainable chemical manufacturing; this can be achieved by ensuring government policy and regulation incentivize environmental and economic outcomes, while also maintaining a competitive advantage in the global market for chemicals and plastics.

With the above in mind, CIAC submits the following recommendations for Alberta's 2025 budget that we believe will further enhance the province's ability to attract more investment and create jobs.

1. **Redirect 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 emissions reductions in the province through new investment.**

The CIAC has long supported Alberta's industrial carbon pricing system, which provides a key signal for facilities 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 implemented in Ontario where the government recently finalized a program to recycle 100 per cent of proceeds from their Emissions Performance System back to emitters for investment in emissions reduction projects (Emissions Performance Program).

It is imperative for the province that the proceeds collected from regulated emitters under TIER be used to address the decarbonization challenges faced by regulated facilities and to address carbon leakage risks. Although funding programs administered by Emissions Reduction Alberta (ERA) have helped achieve this objective, unpredictable outcomes, short timeframes and relatively small amounts of funding awarded have limited the accessibility and impact on decarbonizing the chemistry sector. We strongly recommend Alberta establish additional mechanisms that will allow for the recycling of revenues back to industry to invest in their operations to lower GHG emissions.

One such mechanism would be to establish individual accounts for a Large Final Emitter's (LFE) compliance payments. At the approval of the Ministry of Environment and Protected Areas (EPA), regulated facilities would be able to draw from this account for re-investment in decarbonization projects to improve the facility's GHG emissions intensity. This mechanism could be complemented with a sectoral fund administered by ERA that pools the unused funds from the individual LFE accounts after a defined period of time (to be determined with input from industry). The ERA would be responsible for distribution of these funds based on a competitive application process that encourages technical innovation, energy efficiency improvements, switching to more carbon-efficient fuel sources, and would help drive continuous improvement in emissions intensity for regulated emitters.

2. **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 of Extended Producer Responsibility Regulations that recognizes 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.

Global demand for plastics is forecast to triple by 2060 in order to not only meet our climate change and sustainability goals, but to meet the needs of developing countries as their populations increase their desire for material goods. Nearly 60 per cent of this demand could be covered by production based on previously used plastics.[1] Today's supply of recycled plastics only meets 6 per cent of real global demand. According to a study commissioned by Environment and Climate Change Canada, Canada's recycling infrastructure capacity gap will require a capital investment of $4.6 - $6.5 billion.[2] Effective and efficient post-use management of plastics requires a collaborative approach between governments and industry to deliver the investments needed. The provincial government will need to continue to play a role in enabling and incentivizing recycling infrastructure investments. Policy levers that would help support innovation and accelerating investment in recycling infrastructure in Alberta 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.

3. **Extend and alter the Alberta is Calling Moving Bonus**

Maintaining a moving incentive program is essential to sustain its impact and ensure Alberta can meet the demands of future growth. Being mindful of the Alberta taxpayer we propose the program be amended to provide a tax credit or tax deduction rather than a refundable tax credit. Despite the influx of tradespeople due to the program, significant labour gaps in key sectors such as construction, energy, and manufacturing are still being experienced/anticipated. These industries are essential for Alberta's

[1] Hundertmark et al., "How Plastics waste recycling could transform the chemical industry," McKinsey & Company, December 2018.
[2] Deloitte and Cheminfo Services Ltd, "Economic Study of the Canadian Plastics Industry, Markets and Waste," p. 19, Deloitte and Cheminfo Services Ltd., 2019.

economic growth, and a continued effort to attract skilled workers is critical to maintaining competitiveness.

Further to the above, Alberta faces stiff competition from other provinces and countries also vying for skilled labor. Programs like the moving bonus give the province a unique edge in attracting workers, especially as neighboring provinces like Saskatchewan and Manitoba explore similar incentives. Offering a tax credit or deduction sends a clear message that Alberta is committed to being a long-term destination for skilled workers.

4. **Extend the Alberta Petrochemical Program (APIP) beyond 2030 to ensure Alberta can attract future investments into the chemistry and plastics sectors**

Under APIP's current guidelines, projects must be in service on November 1, 2025 (for capital investments of between $50 million to $150 million) or November 1, 2030 (for capital investments of more than $150 million) to receive grants under the program. APIP has been successful in helping attract billions of dollars of investments in projects that will create thousands of jobs and contribute millions of dollars to government revenues. Under the right conditions Alberta has a tremendous opportunity to continue to attract these types of investments and solidify the province as a leader in low-carbon chemical manufacturing facilities. Letting the current program sunset will put at risk the possibility of expanding current chemical product manufacturing and attracting future investments in emerging sectors such as, ammonia for export, low carbon feedstocks and products (e.g., hydrogen), advanced polymers and specialty chemicals.

Given that a large-scale petrochemical project can take anywhere from 4-7 years to move from planning to operational status, the window of opportunity for APIP to attract new investments is now very limited. We believe the government should act quickly to renew the program indefinitely in order to send the right signal to the investment community.

Although timelines for projects between $50 and $150 million are likely to be shorter in duration, their eligibility for the program will be sunset in just under one year. Attracting capital to relatively smaller projects is likely to be more and more important as companies look for new and innovative ways to increase production and reduce their carbon footprint. These will be critical in ensuring Alberta's current petrochemical industry is able to remain competitive in international markets that are demanding low carbon products at competitive prices. With this in mind, we believe the $50 million eligibility minimum should be reduced to $20 million.

In addition to extending the program, we also encourage the government to engage with industry on ways to enhance the program, so it better reflects Alberta's investment climate and the need to ensure sustainability in the chemistry and plastics sector. Considerations include:

- Expanding eligibility to cover critical infrastructure like rail terminals and storage equipment,
- Expanding eligibility to include decarbonization projects and incremental growth opportunities, such as carbon capture technologies not covered by the Alberta Carbon Capture Incentive Program and post-use plastics, and
- Removing strict production/consumption thresholds for grant access.