CHEMISTRY INDUSTRY ASSOCIATION OF CANADA

Chemistry Industry

2025 Ontario Pre-Budget Consultation

SUBMISSION TO
Hon. Peter Bethlenfalvy
Minister of Finance

Recommendations:

1. **Integrate the Chemistry and Plastics Sector's investment attraction strategy within the automotive, EV and critical minerals sector strategies.**

2. **Enable Invest Ontario to attract more investment.**

3. **Advocate for Ontario business interests, including chemistry, as part of federal response to U.S. import tariff.**

4. **Establish Ontario as a regional leader in the circular economy.**
    a. **Recognize Advanced Recycling**
    b. **Support for Recycling Innovation and Infrastructure**

The Chemistry Industry Association of Canada (CIAC), on behalf of its membership, welcomes the opportunity to provide our input to the 2025 Ontario Budget consultation. We firmly support the government's focused effort to create the conditions for long-term economic growth and prosperity. We commend the government on the important steps taken to reduce the cost of doing business in Ontario and investing in essential infrastructure and attracting new manufacturing investments. We urge that more work is needed to address business competitiveness and investment attraction for the chemistry and plastics sectors.

Chemicals play an important role in the economy. Chemistry manufacturing facilities have a life cycle of more than 30 years. Not securing chemistry investments now means Ontario will miss out on decades of new direct and indirect jobs, tax revenues, new infrastructure and community investments for decades. Only a competitive business environment and a welcoming public policy environment will attract our fair share of new investment and create the high value, long-term sustainable jobs that the chemistry sector generates.

CHEMISTRY IS CRITICAL TO ONTARIO'S ECONOMY

Ontario's $30 billion chemical manufacturing industry is a significant contributor to Canada's economy. The sector is directly responsible for 46,000 jobs and pays approximately $4 billion in salary and wages. The industry supports an additional 224,000 jobs in the overall economy across the province.

- In 2023, industry shipments were $30.5 billion ($11.6 billion in industrial chemicals) and $19.2 billion in plastic products.
- 3rd in value of shipments behind Food and Transportation Equipment
- 3rd in value-added manufacturing output behind Food and Transportation Equipment.

More than 95 per cent of all manufactured products rely on chemistry and there is a growing global demand for chemicals and plastic resins with the lowest carbon production available.
Chemistry and plastics help all Canadians reduce emissions in key sectors:

- sustainable transportation by making vehicles lighter; powering batteries in electric vehicles
- critical mineral processing and semiconductor production
- green buildings including innovative insulation to prevent heat and cooling loss in homes clean energy such as solar, wind turbines and energy storage
- sustainable agriculture
- lightweight food packaging that prevents spoilage and extends food shelf life.

› Recommendation: Integrate the Chemistry and Plastics Sector's investment attraction strategy within the automotive, EV and critical minerals sector strategies

CIAC's Ontario facilities are critical value chain participants that underpin Ontario's automotive and EV battery sectors continued success, and provide high-skilled, and high-paying jobs. The chemistry and plastics sector enable the auto industry to make safer, lighter, quieter, and more fuel-efficient vehicles. On average, there are 30,000 parts in a vehicle and one-third of those are made of plastic from 40 different types of plastics and polymers.

Critical Minerals and Battery Components
Ontario's chemistry sector enables more efficient mineral extraction, separation and processing that improves recovery and sustainability. Ontario members such as Syensqo, Glencore, Sulco Canada, and Chemtrade provide the chemistry products used to process and refine critical minerals such as copper, lithium and nickel. Growth opportunities exist to secure component production in Ontario such as cathodes, anodes, membranes and electrolytes.

Light Weighting Materials
Companies such as BASF Canada, Cabot, NOVA Chemicals and Imperial Oil in Ontario make materials, composites and polyethylene that can reduce a vehicles' impact on the environment because they offer a high strength-to-weight ratio, making vehicles lighter and more fuel efficient.

Rubber
Better tires allow for more efficiency on the road. Our members like ARLANXEO and Diamond Petrochemicals are continually improving the processes and products to make them more sustainable and efficient.

Complimentary Products
A host of chemistry companies in Ontario produce lubricants, hydraulic fluids, motor oil additives, automotive paints as well as sound deadening materials and insulation.

Initiatives for Ontario Government:

1. Maintain the chemistry sector as a priority in the economic development strategy and actively engage multinationals to position Ontario as a leading chemical manufacturing hub.
2. Enhance and localize deeper supply chains for the province's automotive, EV and critical minerals sectors with chemistry and plastics sector investment opportunities.

› Recommendation: Enable Invest Ontario to attract more investment

We support the 2024 Fall Economic Statement's allocation of $100 million to Invest Ontario and $40 million to the Advanced Manufacturing and Innovation Competitiveness Stream. However, recent EV battery and automotive projects highlight that large-scale investments often require incentives beyond the proposed funding increase.

With Invest Ontario operational, we urge the province to develop robust investment attraction initiatives to secure high-value, long-term projects in the chemistry and plastics sectors. Beyond grants and loans, leveraging the tax code to incentivize private investment offers a cost-effective approach.

The global chemistry industry is a leader in innovation and growth, outpacing global GDP. Despite significant growth in North America's chemistry sector, driven by abundant and low-carbon natural gas liquids, Ontario struggles to attract its fair share of investments. Recent support from the province has secured key projects, including Jungbunzlauer Canada's $250 million expansion in Port Colborne and EVONIK Canada's expansion in Maitland.

The sector is in the cusp of two major transformations: achieving net-zero carbon emissions and transitioning to a circular plastics economy. While Ontario has improved its regulatory climate, urgent action is needed to make the province more attractive to global chemistry investors.

In the U.S., over C$300 billion across 300+ chemistry projects has been tracked in the current business cycle. Alberta and Quebec have seen significant growth from strategic policies:

Alberta:

- Dow Chemicals' $10+ billion net-zero ethylene and derivatives complex in Fort Saskatchewan.
- Inter Pipeline's $4.5 billion Heartland Petrochemical Complex.
- Air Products' ~$1.6 billion Blue Hydrogen project (completion expected in 2025).
- Shell/Mitsubishi hydrogen partnership for a future facility.

Quebec:

- Air Liquide's hydrogen complex in Bécancour, leveraging hydroelectric power.
- Nouveau Monde Graphite's phase-2 Bécancour battery material plant.
- Nemaska's planned lithium chemical conversion facility in Bécancour Industrial Park.

By adopting similar initiatives, Ontario can position itself as a competitive destination for global chemistry investments. Ontario should consider emulating Alberta's and Quebec's successful programs:

- Alberta Petrochemicals Incentive Program (APIP): Offers grants (12 per cent of eligible costs) for new or expanded petrochemical facilities upon achieving commercial operations.
- Quebec C3i Program: Provides refundable tax credits for capital equipment investments, with rates up to 25%, alongside additional allowances for clean energy and intellectual property investments.

Principles for a Competitive Framework:

- Ensure certainty and predictability in carbon policy and revenue recycling to support net-zero goals.
- Avoid stranding prior emissions reduction investments.
- Create long-term investment attraction programs available for at least 10 years post-operation.
- Use Ontario's tax code to enhance transparency, access, and private sector participation.
    - Incentives should be technology-neutral and tied to emissions reductions.
    - Tax measures must be outcome-based with clear, upfront eligibility criteria.
    - Avoid opaque review processes by establishing detailed technical guidelines in advance.

Such initiatives will position Ontario to compete for transformative investments in the chemistry and plastics sector.

Initiatives for Ontario Government:
Implement an investment attraction framework, such as Alberta's APIP and Quebec's expanded C3i program to provide certainty and flexibility to attract manufacturing and processing equipment investments throughout Ontario.

› Recommendation: Advocate for Ontario business interests, including chemistry, as part of federal response to U.S. import tariff

CIAC appreciates Ontario taking a leading role in coordinating the Team Canada response to President-elect Trump's threat of 25 per cent import tariffs. We see Ontario's voice as an asset in working with the federal and other provincial governments and seek the province's assistance to advocate on behalf of Canada's chemistry and plastics sectors.

In light of the recent announcement that President-elect Trump will seek to add tariffs on all goods imported from Canada, CIAC draws attention to Canada's and the United States of America's balanced and mutually beneficial trading relationship in plastics and chemistry.

The chemistry and plastics industry account for over $100 billion in annual shipments. Nearly two-thirds of this is exported to the U.S. annually, with a reciprocal value returning to Canada from the U.S. each year. Canada-U.S. trade in chemistry and plastics amounts to $115 billion, with a slight 2.5 per cent surplus in favour of the U.S. The U.S. is Canada's largest export market for chemistry and plastics. Conversely, Canada represents the second largest market for U.S. produced chemicals and plastics, second to Mexico.

The North American industry is highly integrated at all levels of chemistry and plastics production. Energy and raw materials from each country cross the border and are manufactured into industrial chemicals. These chemicals move bilaterally across the border again and are turned into higher value chemistries and products. In turn, those products are traded across the border again and are used in North America's key manufacturing and export sectors, including the important automotive and transportation, mining and forestry, and buildings, construction and food packaging sectors.

Initiatives for the Ontario Government
CIAC seeks Ontario's support to work in concert with the federal, provincial and territorial governments to engage the new U.S. administration in a fact-based approach to ensure the continued, tariff-free flow of goods between our countries.

› Recommendation: Establish Ontario as a regional leader in the circular economy

Ontario has the scale in the chemicals sector to deliver recycled plastics for the province and other parts of Canada. We believe Ontario should establish itself as a regional innovation hub that can develop, scale up and commercialize modernised sortation and mechanical recycling operations and new advanced recycling technologies for adoption throughout North America and the world. Ontario risks falling behind several U.S. states that have already recognized advanced recycling technologies to accelerate their transition to a more circular economy.

The following actions are needed to enable Ontario to become a leader in the circular economy for plastics and increase diversion of post-consumer plastics (PCP) and pre-industrial plastics (PIP) from landfill:

Recognize sorted post-consumer plastics (PCP) and pre-industrial plastics (PIP) as a resource
Currently, all PCP and PIP are classified as a waste in O. Regulation 347. Any facility that wishes to receive the PCP/PIP for recycling or as a feedstock would be regarded as a waste disposal facility and would require a Waste Environmental Compliance Approval. However, sorted PCP and PIP processed by

an advanced recycling facility is similar in nature to any other manufacturing process that receives a feedstock to produce a value-added product. As such, sorted PCP and PIP, for the purpose of being processed at an advanced recycling facility, should not be classified as a waste.

Recognize advanced recycling and advanced recovery

We commend the government for implementing a streamlined environmental assessment process for advanced recycling facilities. To truly realize the potential in the circular economy for plastics, Ontario must include both advanced recovery and advanced recycling of sorted PCP plastics into the Extended Producer Responsibility diversion calculation. Advanced recycling such as pyrolysis and gasification can help ensure valuable resources — such as hard-to-recycle plastics — don't end up in landfill and can instead have a beneficial use, such as feedstocks for new plastics and synthetic industrial fuels.

Support for recycling innovation and infrastructure

The transition to a circular economy for plastics will require significant public-private investment in plastics recycling innovation and infrastructure. Ontario has a unique opportunity to be a leader in plastic recycling. Our large population and the roll-out of its standardized Blue Box program will provide a stable supply of feedstock, a necessity to scale up recycling. Ontario could soon be positioned as a regional recycling hub that can capitalise on access to sorted PCP and PIP from the Eastern Canada and the U.S. Great Lakes States. This will lead to significant market expansion, capital investment, job creation that drive greater market efficiencies, scale, and feedstock supply for innovative mechanical and advanced recycling technologies.

The Government of Ontario has an important role to play to ensure that recycling innovation and infrastructure aligns with provincial priorities and policy objectives and to enable joint public-private financing of projects.

Initiatives for the Ontario Government

The Government of Ontario can demonstrate leadership, and increase investment in a circular economy for plastics, while creating jobs and value add manufacturing in the province. The key to delivering against that vision lies in three actions:

- Collaborate with federal counterparts to align provincial programs with national de-risking and financing mechanisms, and allow for program stacking, ensuring local businesses and innovators can access support for investing in and scaling up recycling and circular economy initiatives.
- Promote regional incentives that encourage the adoption of innovative plastics recycling technologies and infrastructure tailored to the needs of the provincial economy.
- Facilitate public-private partnerships at the provincial level to accelerate the deployment of circular economy solutions, supporting job creation and environmental benefits.

Chemistry Industry Association of Canada

The Chemistry Industry Association of Canada (CIAC) is the Association for leaders in Canada's chemistry and plastics sectors. Our members are innovators, solution providers, and world-class stewardship pioneers.

We work to shape public policy which supports investment, jobs, and the environment. We take pragmatic and evidence-based approaches which represent our members' interests and benefit all Canadians.

CIAC founded and is celebrating the 40th anniversary of Responsible Care®, the industry's globally recognized sustainability initiative. Since 1985, our commitment to its ethic and principles has never wavered. At our core, we believe it is imperative "to do the right thing and be seen to do the right thing." Additionally, CIAC Plastics Division members have committed to Operation Clean Sweep®, a program dedicated to eliminating the release of industrial plastics to the marine environment.

Ontario's Chemistry and Plastics Sectors

Ontario's $30-billion chemistry industry is the third largest manufacturing industry in the province, directly employing over 46,000 Ontarians in well-paying jobs and supporting another 224,000 Ontario jobs in other sectors. Our members are key employers in the Sarnia-Lambton, GTA/Niagara and Eastern Ontario regions of the province. They provide important inputs to a range of key manufacturing sectors including automotive, forest products, mining, construction, and food and beverage. Ontario remains Canada's largest chemistry jurisdiction accounting for 44 per cent of the nation's chemistry output.

Ontario's $18 billion plastics manufacturing sector is the largest in Canada. The sector exports $7.9billion worth of goods, directly employs 49,000 Ontarians and provides $2.3 billion in wages. Plastics are sustainable, durable and lightweight. These attributes make plastics a key piece to helping other industries lower emissions, including automotive, construction, food and beverage, among others.

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