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• (1105)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call the meeting to order.

Welcome to meeting number 130 of the Standing Committee on International Trade.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, September 23, 2024, the committee is resuming its study of recent developments concerning the Canada-United States softwood lumber trade dispute—how appropriate.

We have with us today Kevin Lee, chief executive officer, Canadian Home Builders' Association; and Derek Nighbor, president and chief executive officer, Forest Products Association of Canada. By video conference, we have Lana Payne, national president of Unifor. It's nice to see you again, Ms. Payne.

Welcome to you all.

We will open with Mr. Lee, with an opening statement of up to five minutes, please.

Mr. Kevin Lee (Chief Executive Officer, Canadian Home Builders' Association): Thank you and good morning.

I'm happy to bring perspectives to you from the Canadian Home Builders' Association on your study.

As I'm here on behalf of the CHBA and our 8,500 member companies from coast to coast, I'll focus my remarks on how the softwood lumber dispute impacts the residential construction industry. However, of course, it doesn't impact just the industry, but also all Canadians. As you are well aware, we're in a housing crisis. In order to address this crisis, the federal government has estimated that to restore housing affordability, we need to build 5.8 million homes over the next decade, and a lot of lumber would be required to build those homes.

During the pandemic, lumber prices skyrocketed, and lumber was in short supply. While prices have come down from those record highs, they still haven't returned to prepandemic levels. Really, any volatility in the lumber industry impacts residential construction, adding costs for builders and renovators, delaying construction times and closings, and exacerbating housing affordability challenges for consumers.

According to the CHBA's housing market index, a leading indicator of the current and future health of the residential construction industry, our 2024 Q3 results show that, for a 2,400-square-foot

home, lumber costs are still about \$26,000 more than they were prepandemic. Meanwhile, other construction materials surged as lumber costs waned, and normal rates of inflation for building materials continue to compound the cost increases, further eroding housing affordability.

South of the border, in the U.S., price escalation on lumber has been made even worse thanks to the U.S. tariffs on Canadian lumber. Our American counterpart, the National Association of Home Builders, NAHB, continues to fight these tariffs, given their impacts on construction costs in the U.S. The NAHB continues to call on the U.S. government to suspend tariffs on Canadian lumber imports and to move immediately to enter into negotiations with Canada on a new softwood lumber agreement that will eliminate those tariffs altogether.

As the dispute lingers on, the CHBA asks that the federal government support the lumber supply chain to maximize supply security, output and delivery and, of course, seek a timely resolution to the trade dispute that serves Canada well, which, while difficult under the circumstances, is paramount.

The CHBA also asks that the government work with the domestic lumber producers to maintain, and in the future be able to ramp up, production by working with other levels of government to ensure more responsive and certain access to raw materials. We encourage continued collaboration with the lumber industry on key issues of securing certainty for sustainable lumber supply for domestic fibre.

It's also important to understand that there is a need for liquidity for the lumber industry to survive this tariff period, and there is likely a role for the federal government to play there. However, we will leave that to our lumber industry colleagues to detail, so I'm glad to see Mr. Derek Nighbor here today from FPAC.

It's also important to recognize that all industries, including lumber and home building, are facing more and more excessive red tape. There is a growing fatigue within the Canadian business climate that ever-growing amounts of red tape, regulation and bureaucracy continue to be compounded, and this frustration is causing the business environment to move capital elsewhere. With regard to lumber, it's investing in other countries. With regard to homebuilding, investors are looking at other countries with more attractive opportunities for purpose-built rentals and even condo and land development, rather than in Canada. We need those investment dollars to build the 5.8 million homes that Canada needs, and to that end, we need regulations streamlined.

With regard to homebuilding, the federal government has just launched a consultation on a proposed tax on vacant land. This concept shows a clear misunderstanding of the realities of the land development and homebuilding sector, and it is an example of inefficient regulation that could cost homeowners and homebuyers a lot of money in the future. We also need to loosen up all of the red tape restricting getting more homes built in general. There are some good moves afoot with regard to policy change, which is good, but we'll need more.

While more housing, if successful, means more use of Canadian lumber, which is good, I should also add that the move to more and more mid-rise and high-rise construction doesn't necessarily correspond to the same increase in lumber usage. While we are introducing tall wood into the building codes, we still have to find a way to make it more cost-competitive. In the absence of better cost competitiveness, we will see steel and concrete continue to dominate taller construction. We also need to clear the way for more low-rise construction, which can still be higher-density. It is primarily wood-based, and it is the type of housing most Canadians prefer.

The ongoing uncertainty between Canada and the U.S. on the softwood lumber dispute can have major impacts on lumber prices and supply here in Canada. Instability with supply and prices will impact residential construction jobs and the sector's contribution to economic activity, and it will continue to exacerbate housing affordability challenges for consumers. CHBA urges the government to continue to fight hard for a positive resolution to this dispute.

Thank you. I'd be happy to answer any questions you may have.

The Chair: Thank you very much.

Mr. Nighbor, you now have up to five minutes, please.

Mr. Derek Nighbor (President and Chief Executive Officer, Forest Products Association of Canada): Thanks, Madam Chair.

Thank you for this opportunity. I'll say, on behalf of our sector and its people, that we do appreciate all the dialogue and efforts being made on both sides of the House. It's a really difficult time for our sector. I'm happy to talk a little bit about the landscape and then take your questions after that.

FPAC, as you know, represents Canada's wood, pulp, paper and wood bioproduct manufacturers across the country. We are a \$97-billion industry that exports more than half of what it makes, directly employing some 200,000 Canadians.

I am grateful that Lana and Kevin are here today. CHBA and Unifor are two key partners and thoughtful voices for employees and the broader forest sector value chain.

Despite the increased tariffs, closed mills and jobs lost to date, make no mistake about it—this sector has a lot of promise. There's much more we can do, and many more jobs we can create. While the realities of today are sadly against the backdrop of decline and massive trade risk, it doesn't have to be this way. I view this testimony as an opportunity to get our federal government to think about us more strategically and to end the game of whack-a-mole policy development that runs counter to how forest-based economies in other countries are growing, countries like the U.S., Brazil, Finland and Sweden.

The World Bank forecasts that global timber demand will quadruple by 2050. Where do we want to get this timber from? It is driven by global population growth and the want to build towns and cities around the world with clean, renewable materials. Global demand is growing. International customers value wood products coming from Canada. Our industry should be getting bigger, not smaller, as we consider the global opportunity over the next couple of decades. We're the only building materials sector whose products grow back.

Another unique thing about our industry—I can't be here without talking about our pulp and paper industry—is that our sawmills need our pulp and paper mills. If I think about Ontario, for example, back in 2000 we had 15 pulp and paper mills. We now have three. These pulp and paper mills are a critical off-ramp for our sawmills to sell their chips and other residuals to, ensuring that every part of the harvested tree creates value.

We're not running out of trees, and yet from 2004 to 2022 we've seen nearly a 40% reduction in wood harvested in Canada—45% down in B.C., 50% down in Ontario, 38% down in Quebec and 66% down in Nova Scotia. Let's not forget that, as harvesting activity declines, it impacts forest health and resilience. There's an imperative to consider here, too, for improved public safety, a reduction in the number of community evacuations, an avoidance of declining air quality in the summer and a mitigating of the risk of more carbon emissions from fire.

Canada's national forest inventory report will show you that across Canada's boreal forest, more than 60% of the trees are now between 61 and 140 years old. These are trees and forests that are aging and approaching end of life. If harvesting volumes continue to fall, we'll face an even greater risk of catastrophic fire across the Canadian boreal forest in out years. Unfortunately, little to none of this has been considered as part of the climate and national adaptation plans of the federal government. It's a huge miss, and it's off-side with how other leading forested countries are thinking.

In the Q and A, I look forward to discussing some of the big plays to address the current trade risks: getting those trade panels working and overcoming the ineffectiveness of legal challenges, which you've heard about from some of my colleagues in recent weeks; addressing the job impacts and financial burden of increasing duties; considering important regional trade plays, such as the relationship of B.C. and Alberta with California and the relationship on trade that Ontario and Quebec have with New York; working with Kevin and CHBA and others to make our sector a gateway to building more affordable homes; making Canada a global leader in mass timber manufacturing; and driving value and supporting heat and power generation by using low-grade wood.

I'll close on market diversification. In the past 20 years, Canada Wood has been the public-private partnership that has worked really well to help us diversify markets, with a big focus on Asia. I know that there's been some talk about diversification at this committee. Over the years, it's generated \$15 of benefit for every single dollar spent, not to mention its support of over 14,000 jobs dependent on offshore shipments. Unfortunately, it saw its success met with a federal budget cut during last year's budget period, forcing Canada Wood to reduce its staff by 85%. Its once \$12-million diversification budget is now at less than \$4 million.

We have lots to discuss. We remain in the solutions space. Our employees and forest-dependent communities want action. I appreciate the committee looking at this with solutions in mind and meeting us where we're at.

• (1110)

I look forward to your questions.

The Chair: Thank you very much.

Now we'll go to Ms. Payne.

Ms. Lana Payne (National President, Unifor): Thank you very much, Madam Chair.

Good morning to you and your fellow members of the Standing Committee on International Trade, members of Parliament, and, of course, my fellow presenters. I thank them for their comments this morning as well.

I'm Lana Payne. I'm the national president of Unifor.

We are Canada's largest private sector union, with more than 320,000 members across the country working in every major sector of the Canadian economy, including the forestry industry. Our 22,000 forestry sector members are spread across 10 Canadian provinces working in a variety of forestry and logging occupations, as well as wood product and pulp and paper-manufacturing facilities.

Quebec has the highest concentration of forestry membership in our union, accounting for about 55% of our overall sectoral membership, while Ontario and British Columbia account for 22% and 14% respectively. Of course, we have very important mills and operations in Atlantic Canada and the Prairies.

I'd like to remind the committee that, while the softwood lumber dispute poses a clear and present danger, Canada's forest sector continues to experience a perfect storm of repeated and intersecting crises. A combination of economic, environmental and global challenges continues to destabilize the broader forestry sector.

Forest fires were less destructive this year but still very bad. Important conservation efforts continue to complicate long-term planning for the sector. Volatile and flat prices are still making companies rethink their investments, and new EU regulations could negatively impact the ability of Canadian forest products to be sold in that market and around the world. All these crises have been disastrous for forestry workers, their families and their communities.

The recent doubling of combined tariff duty rates and the looming threat of further incoming increases are a devastating blow to Canada's forestry sector. We fear that we will see workplace closures as a result of these continued increases. This is without contemplating the additional 25% across-the-board tariff threatened by President-elect Trump, which, if imposed, would cause major problems in the sector. I think we all know this.

Forest sector stakeholders in Canada have not always formed a united front on this issue. This is particularly true of some of the forest companies themselves. For example, we are deeply concerned to see some Canadian forest companies divert investments into their U.S. operations while pulling up stakes here in Canada and abandoning their Canadian operations. However, it's important to recognize that playing the blame game won't help forestry workers and their families or the hundreds of communities across our country that rely on forestry for their survival.

The fundamental challenge we face is the overwhelming imbalance of power in our trade relationship with the United States. No amount of finger-pointing or blame shifting here in Canada will change the fact that the U.S. controls all the chips in this dispute at the moment, but certainly not all hope is lost. I agree with Derek on this.

Despite the increase in output by U.S. softwood producers, U.S. lumber companies still don't have enough capacity to meet all of that country's lumber needs. The U.S. homebuilding industry, as you've heard, still needs Canadian softwood, and these punishing tariffs are driving up construction costs and making home ownership less affordable for working Americans. We have allies in our fight, and we have reasonable arguments to be made in our favour.

It is critical that our elected leaders, governments across the country, forest workers and their unions, and other forestry stakeholders come together and focus on finding solutions to this unfortunate and unnecessary dispute.

I would like to close my comments on a note of hope and optimism, which are in short supply these days in the forestry sector discussions. The softwood lumber dispute drives home the simple fact that Canada's forestry sector is overreliant on first-order raw resource extraction. We have an incredible opportunity to promote, support and invest in higher-level production, where we can create value-added forest products and systems right here in Canada. Innovative products and systems like engineered wood products, mass timber frame construction, modular components and biofuels represent an incredible opportunity to grow the sector, create new forestry jobs and increase economic development and productivity. What we need is a coordinated, comprehensive and inclusive industrial strategy to help transform our forestry sector—an ambitious and bold redevelopment strategy, if you will.

• (1115)

This will require a whole-sector, team approach involving governments at all levels, forest companies, industry groups, indigenous communities, academics and experts, forestry schools and, of course, forestry workers, their unions and their local communities. This transformation will not only mean better jobs, more sustainable forests and more responsible economic development. It will also better insulate us from the ongoing threat of continued softwood tariffs.

Thank you very much. I welcome all of your questions.

The Chair: Thank you to the witnesses.

We're moving on to Mr. Seeback for six minutes.

Mr. Kyle Seeback (Dufferin—Caledon, CPC): Thank you very much, Madam Chair. It's nice to be back at the international trade committee after a brief hiatus.

What's interesting to me is that we did a study on softwood lumber when I was on this committee over a year ago. That updated a study from a few years before on softwood lumber, which updated a study from a few years before that on softwood lumber. Despite all of this, there's been zero progress on resolving the softwood lumber dispute. This has real consequences. It's had real consequences for workers—as you mentioned, Ms. Payne—and their families.

I'm wondering if you have any thoughts about what the benefit to workers would be if the dispute were resolved and the \$9 billion in tariffs returned to companies, which could invest in the bold redevelopment strategy you just talked about.

• (1120)

Ms. Lana Payne: Obviously, because of these other crises across the sector, adding tariffs on top of that—the new ones we just received, the potential 25% tariff the president-elect is talking about and, by the way, potentially another 15% next year.... The sector cannot carry on with these kinds of duties and tariffs looming over its head. I would say to you that, because of a whole bunch of factors—softwood being one of them—we have businesses, right now, that are on the brink. They have to reconsider whether they can make investments. That's the scary part.

To your point, if there was an additional \$9 billion back in the sector, it would certainly help us maintain and sustain many of the businesses that are out there today employing a lot of Unifor members, thousands of them, all across this country.

In addition to that, I think that, as you mentioned, we have to look to the long term regarding how to have a coordinated development strategy for the sector going into the future. That's critical, too, so that we're not looking at this in a piecemeal way but rather planning it in a much more consistent fashion. This will benefit workers and the communities in which they live.

Mr. Kyle Seeback: Ms. Payne, I'm sure you're aware that the softwood lumber industry combined has called on the government to appoint a special envoy to try to negotiate a resolution on this. During the last study, we discovered, shockingly, that this request for a special envoy to be appointed by the Department of Industry sat on the minister's desk for 15 months without any kind of response.

In a committee report from 2023, there was a recommendation accepted by this committee and put to the government for the Government of Canada to appoint an official softwood lumber emissary to engage with the United States, in order to enhance Canada's efforts. It was designed to encourage the U.S. administration to negotiate a resolution to the current softwood lumber dispute. That was a year ago—plus the 15 months before that, when it just sat in limbo. Here we are today with no resolution.

Are you surprised at all by the government's lack of action on this recommendation of the committee, which has led to some of the challenges we're seeing?

Ms. Lana Payne: I think there are a lot of challenges right now in terms of trying to negotiate a settlement with the U.S. That was true of the past year and the past number of years. It's certainly going to be true going forward. Any and all efforts that can be put in place to try to negotiate something are important.

However, I also believe there is a role for us to play in Canada. When I say “us”, I mean the entire forestry industry and the unions that represent workers across the sector. We need to have a common approach. It's very difficult, I would say, for a government envoy to negotiate an agreement that benefits Canada if we can't get the industry on the same page. That has been part of the challenge.

Therefore, I think anything this committee and the government can do to help the industry reach a consensus on where a negotiating standpoint should come from would be helpful for getting this resolved. What I'm saying is that it's on all of us.

Mr. Kyle Seeback: You mentioned in your opening statement a “bold redevelopment strategy”, not just for wood harvesting but for the industry as a whole. I'm sure you've conveyed your desire for that strategy to the government. Have you had any real response from the government? Are you seeing any action from the government on the “bold redevelopment strategy” that would benefit companies, workers and workers' families?

Ms. Lana Payne: We have been actually saying this about a number of key industries. We've been very front and centre on the auto industry, on the aerospace industry and on the energy industry. We have workers in every sector, forestry being one of the most important ones, and we've been promoting with all levels of government the need for a coordinated industrial strategy. That means the federal government working with provincial governments so that we can get there.

I would like to see a lot more progress than we've made on this front. There's a lot of work to be done, but we can't stop pushing here. There are hundreds of rural communities, particularly, in our country that depend on all of us right now to be able to get to a place where the industry can survive and thrive going into the future, and this means good union jobs for workers from one coast to the other.

• (1125)

The Chair: Thank you very much.

Mr. Miao, go ahead for six minutes, please.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair.

Thank you to all the witnesses for being here today.

I'd like to ask my first question of Mr. Lee.

The softwood lumber dispute has been an ongoing issue for over 25 years, and the WTO has typically favoured Canada's position. Would you agree that it has been a challenge for whichever government has been in negotiations?

Mr. Kevin Lee: Yes, I think it's been a non-stop play/repeat kind of thing every time the negotiations have come to the fore. The international tribunals seem to always favour Canada's position, yet the United States continues to do what it does. It's a big challenge, and it's not new.

Mr. Wilson Miao: What do you suggest would be helpful to Canadian officials in potential negotiations?

Mr. Kevin Lee: I do think that the team Canada approach is very important, and it's very difficult, in our federated model. I remember a few years ago we were strategizing with our American col-

leagues at NAHB, and they mentioned that one of the challenges is having the different provinces look to negotiate their own deals while also trying to negotiate a national deal. Bringing together a team Canada is hugely important. I think also making sure it's a good deal for Canada at this stage is hugely important, not only in the short term but in the long term.

Lastly, I would say, as you've heard from other witnesses, we really need to figure out what we can do to be less reliant on raw materials going to the States and find competitive ways to create a stronger industry here in Canada that supplies Canada, supplies the States and also looks to other markets around the world that are going to need more lumber products as well.

Mr. Wilson Miao: Thank you.

Would any of our other witnesses want to chime in on this? What about you, Mr. Nighbor?

Mr. Derek Nighbor: I agree with everything Kevin has said.

Mr. Wilson Miao: That's great.

Earlier, in your opening remarks, you talked about our housing crisis. I'd like to talk about the housing accelerator fund, which is a \$4-billion investment and is expected to lead to the construction of over 750,000 new homes in Canada over the next decade.

Do you believe, for an association like yours, that the HAF would be a good investment in addressing the current housing crisis?

Mr. Kevin Lee: The most important thing about the accelerator fund is the way it's going after municipal processes and delays in zoning and all of those things. While the funds were sort of directed to municipalities to use in ways that they would choose, including for affordable housing and the like, the biggest problems we're seeing in getting more housing built are around municipal delays, development charges, permitting challenges, zoning—all of these things.

It's really important that we continue to use all the levers we have at the federal and provincial levels to ensure that municipalities do all they can to enable more housing to be built.

Mr. Wilson Miao: Thank you.

Next, I'd like to ask a question of Mr. Nighbor.

What do you believe the main challenge is in resolving the current lumber dispute? What do you believe an agreement with the U.S. that would benefit the Canadian softwood lumber industry should look like?

Mr. Derek Nighbor: Yes, I'll say that there's a lot of talk about getting a deal done, but it has to be the right deal for Canada, and that's the challenge here.

The other challenge here is that the folks on the other side of the border know how tough it is in Canada right now, and any time you're trying to negotiate and you know the other side is having a bit of a tough time.... That's a very difficult position to be in. I feel that for our mills, for our employees and for those communities.

I think we have to look at two tracks. I like what Lana was talking about. We have the here and now, the immediate. As you heard from other witnesses from the sector, we have some mills—especially the smaller, medium-sized mills and a lot of family-owned mills—that are really near the edge of the cliff right now. What can we do to help them? I hesitate to go into a lot of detail publicly about negotiating, because that's problematic as well. All I'll say is that I believe Global Affairs knows well the sensitivities there and the looming liquidity crisis that is before a lot of our mills in this country right now if this continues.

The other thing I'm worried about, in the longer term, depending on where the Trump tariffs go, is that our industry is very reliant on a strong U.S. homebuilding network to drive our businesses. We are expecting, getting into next year, that things will start to look better in terms of U.S. housing starts, but if we have broad-based inflation again in the U.S. over the next couple of years because of big tariffs, that's going to delay it, because those housing starts are not going to be where we think they need to be.

Those are a couple of the things we're watching.

The other thing, I would say—Lana talked about it—is market diversification, the promise of the forest bioeconomy: mass timber, government procurement and reinvesting in export market diversification. These are all.... We need to do the here-and-now piece, but we also need to do the piece for the medium term and the long term to sustain and grow our sector for tomorrow.

● (1130)

Mr. Wilson Miao: Thank you.

Can you speak to the work that our government has done with the softwood lumber industry to develop a strong, unified Canadian negotiation position? How has this been vital to our engagement with the U.S.?

Mr. Derek Nighbor: I'll say—and to Lana's point as well around this—that there has been some.... There's not always absolute unanimity across the lumber sector in this space. That's the way it's always been, but the companies are working together with their value chain partners and with the government to try to build this team Canada approach. I'm happy to see the dialogue that's happening there. I think that's absolutely critical.

We also need to remember the role the provinces play here. More than 90% of the land that our foresters operate on is under the purview of the provinces. Those provincial voices become very important as well.

Again, I'm very careful about not negotiating against ourselves and not doing that publicly, but I will say that it is a really dire time right now, especially for a lot of our smaller and mid-sized mills. I think you heard that from my colleagues from Ontario and Quebec last week.

The Chair: Mr. Savard-Tremblay is next, for six minutes, please.

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Madam Chair.

Ladies and gentlemen, thank you for your opening remarks. I also thank you for sounding the alarm on this issue. It has sounded so often over the past 40 years that it has almost become background noise, sadly.

It never seems to get resolved. Let's hope it happens this time.

Mr. Lee, I assume you're in touch with the Canadian Home Builders' Association, as well as the National Association of Home Builders in the United States, which is vehemently opposed to the increase in tariffs. That association is also said to be particularly close to the Republican party—much more so than to the Democrats, in fact.

Have you been told about concerns regarding the new situation or, conversely, about things that might give rise to some optimism? What is the Americans' current state of mind?

Mr. Kevin Lee: Thank you for the question.

I don't know how many positive things there are to say about that situation.

[English]

With our discussions with the NAHB, I think it's pretty common for most industry associations to typically be more aligned with a republican government and those smaller government-type situations. They are unwavering, though, in their recognition of the importance of Canadian lumber to the U.S. homebuilding market. I don't expect that this will change their calls for a complete elimination of the tariffs.

There's no question that the number one damage done by the tariffs is actually to the U.S. homebuyer and then, in turn, to the U.S. home builder, who can sell fewer homes, as Derek was alluding to. If we see high lumber prices—and don't forget that these tariffs result in higher prices in the U.S. across the board, not just on Canadian lumber; it allows the U.S. lumber industry to charge much more—I expect a continued call.

By the same token, though, recognizing the challenges, we have seen a call for more diversification of the U.S. market to look to other countries. We are seeing that, which is obviously dangerous for Canada as well. They're being realistic, much like we in Canada need to be realistic about diversifying how we handle our lumber industry, add more value and create more opportunities to export, because the challenge will continue.

To the point earlier that this has been going on for a long time, yes, it has been, and it will probably go on into the future. Hopefully, we'll get that trade settlement. The next time it comes to renegotiating, it will probably be back to the same business, so the more we can do to solidify our own situation, the better, moving forward.

• (1135)

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

We know that softwood lumber from Canada and Quebec is essential for the United States. This is particularly important for their construction projects and to avoid skyrocketing costs, at a time when, as we know, many Americans are unable to access home ownership or housing.

I would be curious to know one thing, on the Canadian side. Here, in housing construction, what is the ratio of local lumber versus imported lumber?

[English]

Mr. Kevin Lee: I don't have those statistics close at hand. We could definitely look for them. Derek might know a bit as well.

Do you have them, off the top of your head?

Mr. Derek Nighbor: I don't, but it's mostly Canadian. We saw a bit of a surge of EU lumber coming in a little while ago, but the large majority is Canadian lumber.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: How can we further explain the negative link between the tariffs and your building projects?

We understand the principle: when our industry is in trouble, it has an impact on your industry. However, one might think that this problem is mainly external, related to the United States.

Could you expand on that link?

[English]

Mr. Kevin Lee: The thing about the lumber industry in North America is that it's a North American market. Despite the fact that we have these tariffs and everything else—or as a result of the tariffs—it really is a North American market, so our prices fluctuate accordingly. We saw that through COVID. When there was so much demand, both north and south of the border, lumber prices went way up.

When we look to the future, the biggest danger here would actually be a Canadian lumber industry that suffers so much that we see a shrinking of the Canadian lumber industry, and then when things pick up, we don't have the capacity in our own lumber industry to supply Canada properly and the opportunities south of the border.

That's why it's so critical that we help our lumber industry survive. We expect that we're going to come out of our current state and we expect to start building more houses. If the mills have shut down and aren't capable of reopening, that's a huge issue for Canadian housing, for Canadian homebuilding and for Canadian house prices looking ahead.

The Chair: You have 30 seconds.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: We'll try to do that in 30 seconds.

I'm just trying to understand something, Mr. Nighbor.

We're having trouble exporting lumber because of these tariffs, but our hardware stores are selling American lumber. Can you explain why, in 30 seconds?

[English]

Mr. Derek Nighbor: The majority is Canadian lumber being sold. I can get the numbers for you off-line.

We run the risk, as we start losing capacity, about the opportunity to provide for ourselves in our years, which would be a shame, given the bounty of our forest resources and our commitment to sustainable management.

The Chair: Thank you very much.

Mr. Desjarlais, you have six minutes.

Mr. Blake Desjarlais (Edmonton Griesbach, NDP): Thank you very much, Madam Chair.

Thank you for the very good statements made by the witnesses today—Mr. Lee, Mr. Nighbor and Ms. Payne.

It's good to see you in particular, Ms. Payne. I know that you have often been a champion for workers and for industrial strategy, which is something that New Democrats have been consistent on for decades, as a matter of fact. We deeply believe in this history we have in Canada where we have companies.... I come from Alberta, where we have a lot of these kinds of companies that are taking the raw resource and then exporting that raw resource. Albertans rightfully ask why we don't have our own refineries. Why not have our own manufacturing in order to make certain that we not only sell raw materials to other markets, but also sell those raw materials to Canadians with value added? I think that's something we deeply believe in.

When we think about gasoline, for example, the majority of that comes from the United States, if you weren't aware of that. Mr. Nighbor, you come from the west. You know that. We have these massive exports of our goods, and then we import them at a premium to Canadians.

Ms. Payne, you talk about this value-added industrial strategy that would, hopefully, meet management and labour, unite them toward a united position and put them on the same page, as you say, toward a common goal that would hopefully have the max benefit not just for Canadian industry and Canadian union jobs, but also for Canadians. It's a deep matter of affordability. It's a deep matter of planning our industries accordingly. It's something that Canadians need to do in a world and an environment that's hyper protectionist.

My first question, which is a basic one that I would like each of you to give an opinion on, is on this more recent change. In the last 40 years, we've largely benefited from free trade around the globe and in North America in particular. Now we're witnessing this very unfortunate reality where protectionism, particularly American protectionism, is becoming deeply ingrained in their political culture. We've seen that with Democrats just recently raising the tariff rate, for example, on softwood lumber to 14%. That was Democrats who did that. Now we're seeing Republicans, who are supposed to be champions of free trade, come in with the most historic and extreme version of protectionism we've ever seen, which is 25% on all goods.

This is extreme. This is a very disappointing position for us to be in, but I really take exception and benefit from Ms. Payne's remarks about the opportunity that's present. It's the opportunity to look at our industries here in Canada and to look at what our needs are. It's the opportunity to retool and save our industries.

Mr. Nighbor, you have mills. I've spoken to some workers in your riding, in particular on Vancouver Island. Two mills in particular are in deep water. They're in a tough situation. They've done a lot of things right. They've made certain that their workers are protected. They've made certain that these rural, northern communities actually have a chance, but what's not working for them is the fact that every market they try to get to is blocking them. We need to find ways to create security for them here at home.

My colleague Gord Johns, who's a fantastic advocate for you in particular and also for your industry and for many of the industries in British Columbia, speaks to us about the importance of a biomass tax credit in particular, which could soften the blow on biomass products.

Mr. Nighbor, can you speak to the importance of that and why a biomass tax credit today would be critical to ensuring that some of these businesses can keep their products, but also have an advantage for those products in the market?

• (1140)

Mr. Derek Nighbor: Yes, I appreciate the question.

When the U.S. Inflation Reduction Act came out a couple of years ago, one of the responses to that—we know we can't go dollar for dollar in tax credits with the U.S.—for our sector was an investment tax credit for heat and electricity generation and the use of biomass. We're still waiting. It's been over two years. That's just to deal with the IRA impacts, which we're two years in on, not to mention all these other diversifications. Let's move up the value chain. I'll say that the value chain is great. It's important, but you need a stable, solid primary industry to be able to grow up the value chain, and right now we don't have that.

I don't think you're going to get any opposition in our industry about the opportunity to do more and add value here in Canada, but we're in a fundamental position now where the primary industry is unstable and we have to stabilize the industry. We can walk and chew gum at the same time, but we have to stabilize where we're at right now.

Mr. Blake Desjarlais: In many ways—I don't mean to be facetious—deep roots are required here for our industry in order to

make sure it's stable, so that by the time we can reap the benefits of that immense labour and good production, we actually see the max benefit.

Ms. Payne, I'd like to speak to you about the importance of ensuring that we have workers represented in the discussion, at the forefront of the discussion and at the centre of all of this work. Canadian labour is really what's most important here, in my mind. You mentioned some of the risks that were related to some of the companies and how they're managing this risk. They're offshoring their domestic revenue to their American bases, which isn't very good for workers here. It's not good for jobs here. It's not good for Canadian affordability here.

Why is it so important to make sure that workers here in Canada are at the forefront and centre of any plan that would unify us toward our negotiation position with the United States for these tariffs and others?

The Chair: Give a very brief response.

Ms. Lana Payne: We need to make workers central to all of these discussions. These are their jobs and their communities, after all, that are at risk.

I do believe that if we focus on developing industrial strategies in the climate that we're in, we're going to be much more resilient in Canada. Our economy will be much more resilient, and so will those sectors in which we do this great work. We need more industrial strategies now.

The Chair: Thank you very much.

Mr. Martel, go ahead for five minutes, please.

[*Translation*]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you, Madam Chair.

Thank you to the witnesses for being here.

Mr. Lee, I have a question for you.

Canadian softwood lumber producers who are directly affected by these tariffs can raise their prices to offset export losses.

How does that affect housing affordability, especially for low-income people who want to buy a home?

• (1145)

[*English*]

Mr. Kevin Lee: Certainly, fluctuations in lumber price affect everybody. Those at the lower end of the affordability spectrum tend to be impacted more, of course.

The strange thing about the way the situation could work is that, in some cases, tariffs might end up lowering prices initially in Canada because of lack of demand. The problem then becomes having to shut down mills just to balance the supply-demand equation, and then prices will stabilize or start to go up. Then, hopefully, at some point, we're looking to increase housing supply, and then there's more pressure on lumber prices in Canada and they go up even further.

It's a very tricky and precarious position that we're currently in, and it affects everybody on the spectrum. It affects the lower-income Canadians. It affects anybody looking to move up. It affects those looking to provide affordable housing and social housing, because their costs go up exactly the same way. It's definitely a big challenge.

[Translation]

Mr. Richard Martel: Mr. Lee, the government says it wants to make housing affordability a priority, but it is failing to resolve critical issues like softwood lumber. Do you believe these contradictions undermine industry confidence in federal policies?

[English]

Mr. Kevin Lee: Definitely there's the good and the bad when it comes to policy at all levels of government.

Right now, we look at the lumber dispute that's been ongoing, and it's challenging. There's no question it's challenging. When we have a new election, I'm sure it will be at the top of the list, no matter who's in power next, to be pursuing this. We really need all hands on deck, but as we've heard from everybody, it's complicated.

On the housing policy front at large, we need all three levels of government playing their parts to increase housing supply and to address affordability. Could we do more? Of course we can. Are there are more policy levers that we need to make use of? Of course there are.

We appreciate the attention to the subject, and we expect a lot more to be done moving forward.

[Translation]

Mr. Richard Martel: If the tariff situation remains unchanged, what long-term effects could it have on the building industry in Canada and on that sector's workers?

[English]

Mr. Kevin Lee: Again, that depends a lot on how the lumber industry reacts to the situation. There's no question that we're a wood-based homebuilding industry. We rely heavily on Canadian lumber. I don't have the statistics exactly, but I know that, as Derek alluded to, we have really high numbers in terms of Canadian lumber. The impacts on affordability and access to housing are going to be very much a function of how well the industry can survive and can balance the equation in terms of supply and demand. The types of supports to keep our industry moving forward are going to be absolutely critical.

If things don't go well—to answer your question—and if mills start shutting down and everything, that would be disastrous for Canada in the long term. We would become, ironically, reliant on importing lumber, which seems unthinkable in this country. How-

ever, there comes a point where that could be a greater possibility. Our supply and the percentage of Canadian lumber in houses would go down, which would be catastrophic for all.

[Translation]

Mr. Richard Martel: Mr. Derek, you spoke about the investments that businesses will have to make, but it is difficult for them to invest when there's uncertainty in the market.

[English]

Mr. Derek Nighbor: I agree. I also see measures like the one in your community around caribou recovery. It is a plan that could put thousands of people out of work. It is destabilizing investment in Quebec, and it is not helping. We need predictable access to the land base, and that's another business concern on top of all of this.

The Chair: Thank you very much.

Next, we have Mr. Sidhu.

Mr. Maninder Sidhu (Brampton East, Lib.): Thank you, Madam Chair, and thank you to our witnesses for joining us today on this very important study.

As you are aware, our government has a very ambitious plan to build close to four million homes, working with provincial and municipal partners.

Mr. Lee, you mentioned the need to loosen red tape in getting more homes built. You mentioned the housing accelerator fund, which is doing just that. It's streamlining permitting and helping municipalities build more infrastructure and get more sewer and water lines into the ground so that more houses can be built.

Brampton MPs worked together to secure roughly \$114 million for the City of Brampton to build over 20,000 homes. This funding is given out in sections, so 25% of that has been allocated, and \$85 million is now on the table and is at stake here.

Mr. Poilievre has mentioned that he's going to cancel the housing accelerator fund, which has made mayors across Ontario really angry, because this funding has been allocated. Some of the mayors have come back and said that this could lead to an increase in property taxes. This could lead to projects being cancelled and many thousands of homes not being built.

I was just talking to my colleague here, Mr. Miao. He's an MP from Richmond, B.C. He was talking about how the housing accelerator fund has enabled his city streamline the construction of many homes.

You mentioned that different partners have a role to play. We repeatedly hear the Leader of the Opposition, Mr. Poilievre, attack municipalities. Just this past weekend, he said, “Trudeau will give more and more to incompetent, greedy, money-hungry municipal politicians.” On this side of the table, we know we need to work with the provinces and municipalities to enable more home construction.

What would you have to say? What role would the municipalities have to play in helping to enable more work for your members and get homes built?

• (1150)

Mr. Kevin Lee: There's no question that we need continued change at the municipal level in terms of policies, programs and the way things are done. We're starting to see that change in some places, but not all places. The attention that's been put on this issue by the federal and provincial governments has been critical to making that happen. In order to keep moving in that direction, we're going to need policies of that nature moving forward. In the best scenario, the municipalities, the industries and all three levels of government are working together to drive more supply. In reality, sometimes that takes some twisting.

In fact, in some ways, when you look at the opportunities for the federal government, the federal government is in a great place to fight Nimbyism, actually. The people who have the hardest time fighting Nimbyism are municipal councillors and mayors. Why? It's because when they put these things in place and they have their own constituents voting for them, it's very hard for a municipal councillor to say, “I'm in big favour of this taller building here”, even though we all know we need it, because the local constituents don't want it.

It's really critical for the federal and provincial governments to continue to play an important role and use the levers at their disposal to, in some ways, help municipalities help themselves, because it can be very difficult in those instances. There are a variety of ways to do that, but we need to keep focused on making that happen.

Mr. Maninder Sidhu: Yes, you're right. The housing accelerator funds get released to municipalities as they hit certain targets. Therefore, we want to continue to enable municipalities with the construction of more homes. That is very important to many of my constituents.

Mr. Nighbor, you mentioned maybe diversifying into other markets. How is that working out for you right now? Have you looked at using CETA or using the CPTPP to access markets in that region of the world? It's one of the fastest-growing regions in the world. How is that turning out for you right now, and where do you think the government can assist you further?

Mr. Derek Nighbor: The biggest opportunity for us is Asia, for sure. There is still a lot of activity and opportunity in China through its building codes moving to a more “build with wood” kind of culture, and we can show them how to get there. There is Japan on a higher value. Japanese customers are going to pay good money for good wood. That's very clear. There is Korea. There's a strong furniture industry in Vietnam, as well. There's more promise for us in the Asia-Pacific, for sure. Lana talked a bit about Europe and some of the EU regulations. We're in the single digits in terms of what

we're selling to the EU. Any diversification piece should be focused on Asia, where the big opportunity is.

I was just looking at some of the stateside numbers. In the state of California—these are 2020 numbers—27% of its wood came from China, and 24% from Canada. If you look at the state of New York, almost half comes from Canada, but right after Canada are Brazil, Chile, China and Russia. I do think that, through diplomacy with our American counterparts at the state level and through that team Canada kind of charm offensive, we have an opportunity to remind our American neighbours about the benefits of buying from Canada, instead of Brazil or China.

• (1155)

The Chair: Thank you very much.

Next is Mr. Savard-Tremblay for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Ms. Payne, as we know and as you clearly explained, the impact is quite significant for workers and for communities with layoffs and business closures. In addition to the concrete impact they have in the immediate term, there seems to be some uncertainty related to the recent lack of an agreement. The absence of an agreement certainly has the effect of significantly limiting any new investment for certain products, which could otherwise represent good business opportunities.

In your opinion, to what extent does uncertainty have an impact on workers and layoffs?

[*English*]

Ms. Lana Payne: Absolutely, there's no doubt in my mind that the tariffs have potentially limited the kind of investment that we should have been seeing in the industry. Also, the threat of these new tariffs, 25% across the board, just creates chaos. It creates instability. It can, and I believe it will, result in diverting investment away from Canada and into the United States, not just in the forest sector but across all sectors in Canada.

This is what we're facing, and it's why it's really, really important. Derek talked about the team Canada approach. I believe that. I think we have to have a unified front in Canada on all of these things, on softwood lumber and U.S. trade generally. We need to make sure that we're protecting Canadian jobs and Canadian workers through this entire process.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Very well.

I have only 40 seconds left, which doesn't allow me to get into much detail. In closing, I'd like to ask if you can confirm—despite what the Americans are saying and assuming—that “public forest” is not synonymous with “subsidized industry”.

[English]

Ms. Lana Payne: Yes, this is a very long quest, and we've been arguing this point for 40 years with the United States. I do believe that we have a lot of work ahead of us, but I also know what's possible when Canada comes together to do what's in the best interest of Canadians. What I'm saying is, let's just get on with it and get it done.

The Chair: Next is Mr. Desjarlais for two and a half minutes, please.

Mr. Blake Desjarlais: Lana, I really appreciate that. Let's just get it done. That's the approach we took after World War II with many of our industries. We created hundreds of corporations here in Canada to make certain that our soldiers across the ocean had what they needed. Whether it was lumber, steel or iron, we were able to produce that. Canada, little tiny Canada with barely 30 million people, was able to produce the largest merchant navy in the world while also supplying our men and women overseas with every bit of raw material they needed, including material that was produced right here.

That is a far cry from where we are today with softwood lumber, but I don't think it's something that's beyond our reach. I think that Mr. Lee can have his products for his construction at the cheapest price possible, because we've supported groups like Mr. Nighbor's and his industry in producing value-added products. Hopefully we've done a good enough job as a country to ensure that we've created a foundation for forestry and softwood lumber where they can actually be seen as a competitive force not just domestically but internationally.

My colleague from the Bloc Québécois mentioned that one of the root causes of this trade dispute is related to this idea of a subsidy, that all of our Crown forests are this great big subsidy that has to be protected from American softwood lumber industries or their big lobby. Of course, I disagree with that. I do think that Americans need our lumber tremendously.

I think that in many ways this is Trump's way of trying to create a positive surplus for himself. It has nothing to do with the fact that he's failed to secure America at the borders. That's not our problem. It's his job to secure the American borders. What he wants to see is his industries benefit through the trade imbalance that currently exists. Canada has a surplus partly because of our great industries and how competitive we are, and we're being punished for that. That's inappropriate. That's not an okay thing to do. That's not what friends do to other friends.

This is why I agree with the team Canada approach. We do need to see that. It needs to put front and centre what is valuable for Canadians, which is our jobs, the union jobs that are there. That is the most valuable and important piece to this puzzle for me.

Ms. Payne, in terms of a team Canada approach, you just witnessed Justin Trudeau, our Prime Minister, head to the United States. He came back without the answers that we were hoping for, unfortunately. What do you think needs to be the question we pose to our Prime Minister at this point?

• (1200)

The Chair: Make a very brief comment, please. There are 16 seconds remaining.

Ms. Lana Payne: I don't think any of us had any expectation that the Prime Minister would be able to get a deal with the president-elect in one dinner meeting.

However, I do expect—

Mr. Blake Desjarlais: We were hoping to get some answers. That was the word I used.

The Chair: Thank you very much. I'm trying to complete this round.

Mr. Jeneroux, go ahead for two minutes. Then it's Mr. Arya for two minutes.

Mr. Matt Jeneroux (Edmonton Riverbend, CPC): Thank you, Madam Chair.

Thank you, Derek, Kevin and Lana, for being with us here today. It sure is great to hear from all of you.

I'm hoping to get two quick questions in.

Ms. Payne, we heard testimony last week that 90,000 jobs have been lost in the sector. You mentioned the significant impact this has had on your organization. Do you know how many of those 90,000 jobs were Unifor jobs?

Ms. Lana Payne: We have been losing forestry jobs for decades now. This is why we have been talking about the need for a proper industrial strategy, in order to build and protect the jobs we have today and to create new jobs.

Tens of thousands—

Mr. Matt Jeneroux: I don't want to cut you off. I know we're at the very end, but I'm hoping that, if there's a number, we can get it, if you don't have it today.

If you could send it to the committee, that would be great.

Ms. Lana Payne: I sure can.

There are tens of thousands of jobs that have been lost in the forestry sector over the last number of decades.

Mr. Matt Jeneroux: Were these Unifor jobs?

Ms. Lana Payne: Yes.

Mr. Matt Jeneroux: Okay.

Quickly, this is probably for both of you, Derek and Kevin.

Kevin mentioned during his opening testimony that the cost of lumber is now \$26,000 more than it was pre-pandemic. Do you know, or have you done any analysis on, how many fewer homes...? What was the impact of that?

Mr. Kevin Lee: No, we can't do that analysis, because it's been up and down in terms of different prices, interest rates and all those things.

However, we know that when material prices go up, it obviously makes it more difficult to buy homes, build more homes, etc., so it's a challenge.

The Chair: Thank you very much.

Mr. Arya, go ahead for two minutes, please.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

Ms. Payne mentioned 90,000 jobs lost in the sector. I want to remind the committee that, during the last meeting, the employee associations mentioned that workers get around \$70,000 to \$100,000 in salary. They also mentioned that the recent job losses have nothing to do with the trade dispute or the increase in duties with the United States. It was more due to forest fires and economic conditions.

Mr. Nighbor, you mentioned the high-value products that can be sent to Japan, etc. Since this dispute with the United States goes back to 1794—we've had many years of dispute, again and again—why is it that the industry has not started exploiting other markets across the world? We have signed free trade agreements with around 51 countries. Why has the industry not utilized that and exported? I think exports are around \$400 million to Japan and \$100 million to Europe. That's it. This problem is in front of our eyes. It is affecting all. It is well known. Why has the industry not stepped up to export to other parts of the world?

Mr. Derek Nighbor: Well, I would say that it's billions going to other markets, including Asia, not \$100 million or \$200 million. I'll send you the stats. I'm happy to send you the most recent figures from StatsCan on those shipments.

I think one of the challenges is the cost of competing globally. Think about eucalyptus from Brazil. That's now coming in because the growing cycles are very fast. One thing about Canada is that it takes a long time to grow our trees. It can take 80 or 90 years to grow a tree, versus 10 or 15 years in some of those other markets. That's one of the challenges we have.

Another challenge we have is competing with cheap, unsustainably sourced wood from China and Russia. Prior to the Russian invasion of Ukraine, there were no sanctions when it came to exporting. Russian wood is quite predominant and being sold throughout places like Finland and parts of western Europe.

The competitive landscape is not easy, especially when additional costs are being layered onto the way we do business in Canada. I'm not advocating for a race to the bottom here. However, the competitive structure in Canada is challenging in terms of our ability to grow markets beyond the U.S.

• (1205)

The Chair: Thank you very much.

Thanks to all of you for your valuable testimony today.

We will now suspend for one minute while our next panel of witnesses comes in for another initiative of the committee.

• (1205)

_____ (Pause) _____

• (1205)

The Chair: I call this meeting to order.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, May 23, 2024, the committee is commencing

a study of the trade impacts of Canada's leadership in reducing emissions.

We are very happy to have with us today, from the Department of Finance, Michael Mosier, director, international trade policy division. From the Department of Foreign Affairs, Trade and Development, we have Emmanuelle Lamoureux, director general, international economic policy planning and horizontal issues division, and Shawn Morton, senior adviser, international economic policy planning and horizontal issues division.

I'm interested to know what the horizontal issues division specifically is as we go through these questions.

Welcome. We appreciate your taking the time out of your own schedules to come and share the information that the committee wants to know today. We appreciate it.

I understand that Ms. Lamoureux will be making an opening statement on behalf of the group, for up to five minutes.

The floor is yours, Ms. Lamoureux.

Ms. Emmanuelle Lamoureux (Director General, International Economic Policy Planning and Horizontal Issues Division, Department of Foreign Affairs, Trade and Development): Thank you.

[*Translation*]

Good morning, everyone. I'm actually the director general of strategy at Global Affairs Canada. My colleague has the long title. My team manages international economic policy planning.

I am pleased to be here today to talk about our ongoing engagement on carbon border adjustment mechanisms (CBAMs) and to provide an overview of the current international landscape. My colleague from Finance Canada is here to answer any questions on Canada's work on a domestic CBAM.

[*English*]

As this committee is aware, CBAMs are policies that impose a carbon cost on imported goods equivalent to the carbon price paid by domestic producers. The main goal is to reduce the risk of carbon leakage, which is when production or investments shift to jurisdictions with cheaper production costs that result from lower or no carbon pricing. CBAMs are intended to maintain a level playing field between domestic industries that are subject to carbon pricing and imported goods that are not subject to the same costs.

CBAMs also encourage greater climate ambition by motivating countries to take action to reduce carbon emissions. They are generally considered for sectors that produce significant greenhouse gas emissions and face strong competition.

• (1210)

[*Translation*]

The European Union is the first jurisdiction to impose such a mechanism. It is part of the EU's toolbox to become climate neutral by 2050. The EU CBAM applies to imported goods in the aluminum, cement, electricity, fertilizer, hydrogen, and iron and steel sectors.

[*English*]

The EU CBAM is implemented in two phases. The transitional period, which began on October 20, 2023 and runs to December 31, 2025, requires EU importers to provide information on the CBAM-covered goods to be imported. This information includes country of origin, production site and the embedded greenhouse gas emissions for covered goods. In practice, Canadian exporters will be required to provide this information to the EU importers. During this period, no carbon fee or financial adjustment is being applied.

The definitive period, which will start in January 2026, will include a requirement to report unembedded emissions. The data will need to be certified by an accredited verifier, and the carbon border charge will be imposed on the imported CBAM goods. The effective carbon price paid in the country where the goods are produced will also be deducted from the carbon border charge to avoid double pricing.

Although the definitive period is set to begin in January 2026, many implementation details remain to be confirmed. For example, the European Commission is still developing how the carbon price paid in a third country will be calculated and applied, including the evidence required to demonstrate payment.

Although it is EU importers who must comply with CBAM requirements, Canadian exporters will be impacted due to administrative requirements to provide verified embedded emissions data to importers. The administrative cost of those requirements on Canadian exporters is uncertain, as implementing legislation is still being developed.

[*Translation*]

In addition to the EU, other countries are considering CBAMs. Last month the United Kingdom confirmed the introduction of its own CBAM by January 1, 2027. It will cover imports in the same sectors covered by the EU mechanism.

[*English*]

Australia is also exploring a variety of policy tools to address carbon leakage, which may include a CBAM. A decision is expected in 2025.

As the CBAM landscape continues to evolve globally, we can expect that this will have implications for Canadian exporters and emissions-intensive sectors. The proliferation of border carbon adjustments could also lead to a patchwork of unique CBAM requirements, which risks having a major impact on trade flows and creat-

ing burdensome administrative procedures and costs for Canadian exporters.

That's why Canadian officials continue to closely monitor CBAM developments and to engage with partners as these measures are being developed. To inform our advocacy efforts to advance Canadian interests, we collaborate closely with experts from other federal departments and seek input from provinces, territories and industry stakeholders. We also continue to advocate with our trading partners who are considering CBAM measures on the need to consider industrial carbon prices paid in Canada when the CBAM carbon border charge is calculated.

[*Translation*]

We also continue to emphasize that CBAMs need to be consistent with international trading obligations.

Thank you and I'll be pleased to take questions.

[*English*]

The Chair: Thank you very much.

We will open it up with Mr. Williams for six minutes, please.

Mr. Ryan Williams (Bay of Quinte, CPC): Thank you, Madam Chair.

Thank you, witnesses, for being here today.

Ms. Lamoureux, I want to talk about trade and about some of the statistics we've been looking at across the whole field of trade and economic development in Canada, especially in the last nine years, specifically perhaps looking at the Americans right now and some of the shift.

You're responsible for international economic policy planning. When we look at what's happening with the Americans and this issue, do we see the new administration enacting a price on carbon or a CBAM at this point?

• (1215)

Ms. Emmanuelle Lamoureux: On CBAM, with respect to the U.S. administration, the incoming U.S. administration, as far as I know, has made no mention of such an intention. Currently, before the current Congress, there are a number of bills that consider those matters, but it is unclear whether they will be reintroduced under the new Congress.

Mr. Ryan Williams: Have we looked this far while we've been developing CBAM? You talked about the European Union, maybe Australia and maybe the U.K. How would this affect our competitiveness, if Canada had a CBAM and the Americans did not?

Ms. Emmanuelle Lamoureux: With respect to a Canadian CBAM, I would turn to my colleague from the Ministry of Finance. We are not currently in the process of doing this.

In terms of impacting our competitiveness, I would flag that the EU is the first jurisdiction to put in place such a mechanism. It is still developing its legislation. The impact of various CBAMs actually implemented is unknown at this stage. We are observing the situation in the EU to determine the impact on Canada's competitiveness. However, as I flagged earlier, there is an administrative burden with respect to the implementation of the EU CBAM, which could impact the competitiveness of Canadian-made products.

Mr. Ryan Williams: Mr. Mosier, I'll have you comment on that. Is Canada going to be implementing something similar to the EU CBAM, yes or no?

Mr. Michael Mosier (Director, International Trade Policy Division, Department of Finance): At this time, the government has not taken any specific position on moving ahead with the CBAM. We have done a good amount of work on this in the past. For example, we held broad-based consultations in 2021 on the potential of undertaking a Canadian CBAM, and we released a paper exploring border carbon adjustments in Canada, which is still available.

To date, we continue to assess what we heard in those consultations. There are a number of factors to go through, and I'm happy to speak to those.

Mr. Ryan Williams: Sure. I'm just going to go back to something that the current government actually promised in its election platform, which was to implement a CBAM. You're saying there are no plans, but the government promised to implement this. Why would you be doing consultations if there's no plan to implement it?

Mr. Michael Mosier: In budget 2020, when it first came out, the government indicated its intent to study the potential for a border carbon adjustment mechanism in Canada. That's what's been happening to date, and we continue to undertake that study, talk to partners and look at that.

Mr. Ryan Williams: One of the statistics we look at is the sharp decline in business investment per capita in Canada versus the U.S., especially since COVID-19. We've seen a sharp increase from the American side and a sharp decline from the Canadian side. The carbon tax has been implemented, and it continues to increase. This year, on April 1, it will increase by 19%.

It is something we do study, and it seems that, looking at the Americans, they don't have a price on carbon or a carbon tax, but we do. It's one of the biggest.... Causation may not always equal correlation, but it does seem so on this point. Would you see this as another barrier for businesses? If so, will it cost businesses anything if a CBAM is implemented?

Mr. Michael Mosier: To the extent that a CBAM is implemented in Canada.... Generally, where we've seen CBAMs, they are linked to the domestic carbon price. To the extent that the price is applied to Canadian industry, specifically those trade-exposed, emissions-intensive sectors—and we always think about steel, aluminum, fertilizer and those sorts of things—a CBAM can help ensure that importers pay the same price as domestic producers within the Canadian market. That's certainly something we would look at as our colleagues from Environment and Climate Change Canada adjust the carbon price applied to those sectors. That is certainly something we would continue to take into account.

Mr. Ryan Williams: The main question on that, then, is, does that make Canadian businesses more or less competitive if they're adding these prices to their bottom line?

Mr. Michael Mosier: To the extent that a price is applied to Canadian businesses that is not applied to foreign importers of the same products, I would say less competitive.

I would say that there are a number of measures to address what we call carbon leakage or competitiveness concerns imposed by Environment and Climate Change Canada, primarily the allocation of free emissions allowances to our emissions-intensive trade-exposed sectors. That is how Canada has, to date, managed this issue.

• (1220)

The Chair: Thank you very much.

Mr. Sheehan.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much to the presenters for this information and the questions.

I'd like to thank my colleague Manny for bringing this to the trade committee for us to delve into. It certainly is interesting.

I'm from Sault Ste. Marie. We have Algoma Steel and Tenaris tubes there. Algoma Steel has decided, along with a lot of the Canadian steel producers—I'm co-chair of the all-party steel caucus—to decarbonize and to go from a coal process to an electric arc. In the Soo, they're going to reduce their emissions by 70%. It's like taking one million cars off the road, gas-powered cars. I've been hearing not just from the steel producers, but from the unions, United Steelworkers, about how China, for instance, can produce their steel so cheaply, not just because of poor labour practices, to say the least, but because they use dirty coal. Basically, it's the Wild West, without any regulations as it relates to the environment, which creates that cheap, unfairly traded steel.

How would a CBAM...? I'm going to delve into it a bit further, because, even without the CBAM, we've placed a 25% tariff on Chinese steel and aluminum—and 100% on electric vehicles, but I'll stay on steel and aluminum. How would a CBAM go hand in glove with the 25% tariff, in your mind?

Mr. Michael Mosier: I think I'll answer that, given that it's more about a Canadian CBAM and how that would go hand in glove with that. It's a good question. Obviously, when we put the 25% surtax on steel products from China, part of the government's rationale was that there were lax environmental policies. I think that if Canada wanted to move forward with a CBAM against China, that's something that would really have to be better understood.

I think CBAMs, those that you see in the European Union, for example, are very much.... They're very technical. They're very detailed, and they gather a lot of information on the product-specific emissions contained within those. I think it would certainly be a larger administrative process to gather those emissions and to link them to a Canadian carbon price, whereas the surtax on steel and aluminum was more a measure that made the statement that these were problems and imposed the surtax.

Mr. Terry Sheehan: Just because we're on the topic and it's in the news everywhere, I think it's important to be in lockstep with the United States, because they have a very similar program of 25% and 100% as it relates to duties on China, to make sure that we are not a back door. That is always a real, clear and present danger with the United States. If they see you as a back door, they'll have problems with you.

Let's go on to carbon leakage mitigation. What specific industries...? I understand it's steel and aluminum, the auto sector and the supply chains, but what specific industries in Canada are more at risk of carbon leakage, other than the ones I've mentioned?

Mr. Michael Mosier: When we look at this, we typically look at iron and steel, aluminum, the fertilizer industry, cement, chemicals and pulp and paper as our key emissions-intensive but also trade-exposed industries: those where we have a lot of imports and those where a lot of the things we make in Canada are actually exported. It's where they're in real competition with foreign products.

Mr. Terry Sheehan: Supplementary to that question, how can the federal government work with the provinces and the territories to implement BCA measures to mitigate these risks effectively? Earlier, we were talking about the forest industry and how the provinces and the feds think different things.

Mr. Michael Mosier: That's another good question. I think that ultimately it would be tariff policy, so it would be a federal jurisdiction, but I think there's certainly a role for the provinces to play. A number of the provinces have their own carbon pricing regime, and I think that any border carbon adjustment Canada may adopt would need to be reflective of the various carbon pricing regimes we have in Canada. There are numerous regimes, depending on the province and territory. I think there would need to be some work there to make sure that a border carbon adjustment reflected the carbon price.

• (1225)

Mr. Terry Sheehan: What kind of incentives or supports might the government provide to help emission-intensive industries transition without compromising jobs or trade, other than what we did at Algoma Steel?

Mr. Michael Mosier: It's a little beyond me as a trade policy expert to talk about government supports and subsidies.

Mr. Terry Sheehan: [*Inaudible—Editor*] kind of thing to look at?

Mr. Michael Mosier: I think so.

Mr. Terry Sheehan: On implementing this, what are the risks that the Government of Canada has if it implements this to its industries?

Mr. Michael Mosier: I'll go back to what we heard in consultations, because I think it was interesting to hear some of the risks that were raised.

Certainly I think some of the risks are with respect to the U.S. These are the key ones. The U.S. does not have a border carbon price. If Canada implemented one, we would ostensibly be applying a border carbon price to imports from the United States. I think what we heard from a lot of Canadian industry was that there are concerns about potential retaliation from the United States if Canada implemented something like that.

We also heard about administrative complexity and just the compliance burden, noting that Canada does have a number of different carbon prices, and how that would be complied with. It is a very large data-gathering exercise, so there was concern about that.

Then, of course, there are downstream impacts. To the extent that a border carbon price applies to our imports, which are used by industry and ultimately purchased by consumers, that can have the impact of raising those costs as well.

There were a number of risks to Canada.

The Chair: Thank you very much.

We'll go to Mr. Savard-Tremblay for six minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

I'd like to thank the witnesses for being here and for their remarks.

First of all, we know that in 2020, there was the interim report on the pan-Canadian approach to pricing carbon pollution. On the risk of carbon leakage and loss of competitiveness, it says that "tools and policies used to date in existing carbon-pricing systems appear to have successfully addressed this risk."

However, the report also mentions that, since the carbon price will increase by \$170 per tonne by 2030, additional measures may become necessary.

To your knowledge, has an assessment of these potential necessary measures been done since the report was published? Do we have any figures on carbon leakage, for example? If not, are additional measures planned?

Ms. Emmanuelle Lamoureux: For the sake of clarity, I would like to know if your question is about the national level, rather than international.

Mr. Simon-Pierre Savard-Tremblay: You can answer it as a whole. Everything is fairly interconnected on the planet.

Ms. Emmanuelle Lamoureux: All right.

I haven't looked at the report you're referring to. However, in terms of additional measures, I assume that the mechanism being implemented by the European Union and currently under consideration by other countries is among the kinds of tools in the toolbox for any country that wants to continue to limit risks. That is what we are currently seeing in other countries.

For our part, we are keeping a very close eye on the proliferation of this type of regime, because we want to avoid it becoming too much of an administrative burden for our exporters. In that regard, Canada participates in international discussions to ensure the interoperability of carbon border adjustment mechanisms.

Mr. Simon-Pierre Savard-Tremblay: I know you said you weren't familiar with the report, and that is fine, but I'll come back to it. The report emphasizes that, if there are gaps between Canada's measures and those of key trading partners, a coordinating mechanism must absolutely be put in place to avoid harming Canada's competitiveness.

To your knowledge, are there any partners in particular with whom there are glaring and major gaps? What are the impacts of these gaps?

Ms. Emmanuelle Lamoureux: I can tell you that there are discussions at all levels, with all countries that are considering implementing a CBAM or are in the process of doing so. The goal is to avoid this kind of gap and to ensure that the carbon price paid by exporters in Canada is fully recognized at borders, particularly those of the European Union and other countries that are considering adopting similar measures.

That work is being done through our embassies, but I know steps were taken at all levels, including the minister's and Prime Minister's. Significant coordination work is therefore being done, not only at the bilateral level, but also at the multilateral level, to facilitate interoperability.

- (1230)

Mr. Simon-Pierre Savard-Tremblay: Aren't there some grey areas in these potential measures?

Let's take nuclear power as an example. This form of energy produces very few carbon emissions, but it can have very significant environmental impacts. Couldn't an elephant enter the room, in spite of everything?

Ms. Emmanuelle Lamoureux: Based on what it has told us, the European Union has decided, for the time being, to stick to the sectors I mentioned. It is not out of the question that it may decide at another time to apply the measure to a greater number of sectors—I believe it intended to consider it—but that will not happen before the coming into force scheduled for January 1, 2026.

Mr. Simon-Pierre Savard-Tremblay: As a result, a measure would be put in place on January 1, 2026 for those sectors. I imagine we can expect that it will take some time to plan such an assessment.

For your part, if the European Union implements the measure on July 1, 2026, how much time are you anticipating for that implementation in your program?

Ms. Emmanuelle Lamoureux: The start date for the second period is indeed January 1, 2026.

Mr. Simon-Pierre Savard-Tremblay: What would your program be?

Ms. Emmanuelle Lamoureux: Our program is constantly evolving. We have been working with the European Union since we learned that it intended to put this measure in place to ensure that the interests of Canadian exporters are defended, that the price paid in Canada is recognized and that it is done in a fair and equitable manner for our exporters.

The intent behind this is to level the playing field, meaning to ensure that there is no carbon leakage. We are meeting that target. The EU wants to make sure that Canadian exporters are not at a disadvantage.

[*English*]

The Chair: Thank you very much.

Mr. Desjarlais, you have six minutes.

Mr. Blake Desjarlais: Thank you very much, Madam Chair.

Thank you to the witnesses for being present for the study today.

You spent a lot of time on the carbon border adjustment mechanism. Part of what I think your departments and many of those engaged in international trade on behalf of Canada are aware of is the huge commitment relative to the Paris climate change accord. At that time, many signatories, of course, had committed to this global pricing mechanism that would look at transfer of goods beyond borders and look at carbon pricing between borders.

Where and what, if anything, are some of the concrete foundational principles of a global framework? Does the European Union's process recognize those principles or create fairness, or does it actually do the opposite?

Ms. Emmanuelle Lamoureux: I think a portion of your question would be better answered by Environment and Climate Change Canada.

I'm sorry. Can you repeat the last portion of your question? I think I would be able to answer that.

Mr. Blake Desjarlais: Sure.

Let's call it a precedent that's been set by the European Union, in some ways. Is their process of adjustment beneficial for trading partners that have existing trading relationships, or is that actually hindering trade?

Ms. Emmanuelle Lamoureux: As I mentioned, the legislation is still under development, but they have been clear that their intention is to apply a mechanism that respects international trade law. That's reassuring to us. That means a process that is fair and transparent and that does not impose an undue administrative burden on exporters from other countries.

We are, of course, holding them to account on this. We're making sure that this is the case. To the extent that the same measures are applied to all exporters, there is a certain fairness, but we are in constant touch with them to make sure that this is the case.

• (1235)

Mr. Blake Desjarlais: I think it was Michael who made the point earlier related to the carbon pricing mechanisms here domestically in Canada. My Conservative colleague had a question related to the relative disadvantage or advantage that trading partners would have and the trade imbalance that a carbon price domestically could have with another trading partner.

Michael, can you please clarify your remarks related to my Conservative colleague's question regarding the impact of the climate pricing mechanism here—in relation to subsidy, if it amounts to that—through some kind of mechanism like the carbon border adjustment mechanism?

Mr. Michael Mosier: Sure. I'm happy to speak a little bit to the relative competitiveness impacts. Please correct me if I'm not answering specifically.

I think the concern.... What a border carbon adjustment does.... To the extent that price is applied to domestic production, the border carbon adjustment would ensure that producers pay the same price for the embedded carbon. I think in Canada to date, ECCC has sought to manage that—they should really speak more to this—through what's called the free allowances through the output-based pricing system. That's how ECCC has sought to manage carbon leakage risk within Canada to date for our emissions-intensive trade-exposed industries.

Mr. Blake Desjarlais: To put it in a different way, the mechanism that's used domestically and the adjustments that are made for output are different.

Mr. Michael Mosier: I'm not sure I understand your question with respect to—

Mr. Blake Desjarlais: The carbon pricing mechanism that exists for goods here in Canada.... When you want to export a good, let's say, you pay the carbon price on those goods and on the production of those goods by seconding materials and paying a price on those materials. When you want to export it, ship it out or sell it, you're saying that there's a process that deals with that pricing mechanism at the point of sale when it's being exported. Is that correct? There's a process to deal with competitiveness at the border.

Mr. Michael Mosier: Is there an export credit to refund the carbon price? I guess that's your question. Emmanuelle can speak to this.

Anything is possible. I think where we've seen carbon prices enforced to date in the EU, the U.K. and that sort of thing, an export credit has not typically been part of the carbon price. It's really an adjustment applied to imports to make sure that everyone who sells within the domestic market—within Canada—pays the same price. We wouldn't typically see an export credit applied to Canadian exports going into the world market. I think there would be a lot of questions and concerns.

Perhaps my Global Affairs colleagues can speak to the trade concerns that our partners would have, compliance with international agreements and that sort of thing.

Mr. Blake Desjarlais: Sure.

Ms. Emmanuelle Lamoureux: I want to add a bit more detail on how the EU CBAM is calculated. It takes into consideration var-

ious factors, including total embedded emissions but also the price paid under EU's emissions trading system and carbon pricing paid by the exporter in the country of origin.

It's really to avoid double pricing. There is an adjustment that is made at the border. Not everyone, of course, pays the same amount. It depends on how the goods are produced.

The Chair: Thank you very much.

Mr. Baldinelli, go ahead, please, for five minutes.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair.

I'd like to thank the witnesses for being with us today. It's an interesting study. Today is the first day, and it's great to get that information.

Mr. Mosier, I'd like to follow up with you. You mentioned that consultations had taken place with industry and individuals. I think you also mentioned the provinces. Has a report been prepared and shared with government? Are there recommendations within that? Is there a public document that could be shared with us?

Mr. Michael Mosier: To date, there's been no "what we heard" document published by the government from those consultations.

Mr. Tony Baldinelli: You mentioned those consultations. You can refer to some of the comments that you've heard. What are some of the comments that you've heard from industry stakeholders like steel associations, the Cement Association of Canada and those high-intensity carbon producers? What have they shared with government in regard to this?

Mr. Michael Mosier: We've had a number of discussions, including those consultations and others since. I would say that there was some interest, certainly, from those industries in Canada thinking more about a border carbon adjustment where decarbonization presents costs and especially where carbon leakage risk is more prominent and they're more trade-exposed.

However, I would say that they were only really interested in those border carbon adjustments as long as Canada retained its existing measures to address carbon leakage. The output-based pricing system and the allocation of those emission allowances would allow the steel and aluminum industries to remain competitive, particularly as they export to the U.S. market.

• (1240)

Mr. Tony Baldinelli: You also mentioned the notion and concerns about potential risks. The U.S., for example, does not have one. They are our largest trading partner. We do more in trade with the United States than we do with the rest of the world combined. From a trade perspective, you would imagine that harmonization with what goes on with our largest trading partner would be a priority.

Were those comments shared directly?

Mr. Michael Mosier: It's a perfect segue. That was my next point.

I think, almost ubiquitously, all of the industry we spoke with talked about the need for Canada to align with the United States on this. The concerns about retaliation were certainly front of mind.

There was an understanding that Canada and the U.S. do trade a lot of these goods. I spoke about those six categories of emissions-intensive goods. In some categories, 100% of our exports go to the U.S., and in most it's very high. Alignment with the U.S., ensuring continued open lines of trade and ensuring that no new trade barriers are erected were very front-of-mind for the industry.

Mr. Tony Baldinelli: You also mentioned potential retaliation concerns and administrative complexities. Are there others that you could share with us?

Mr. Michael Mosier: Those two would be my next points, and then we also heard about the importance of designing, for example, a border carbon adjustment that would be consistent with Canada's international trade obligations. We also heard from a number of folks—and I spoke about it earlier—about the potential increase in costs, the impacts on downstream producers who use inputs and on the costs for consumers.

Certainly, I would reiterate that administrative burden was something that came up over and over again, as did the importance of not increasing costs but also not hindering trade at the border.

Mr. Tony Baldinelli: Now, with the United States, there's a new administration, and we're unaware of what policy they will be moving forward with. If they go forward with no position on CBAM, for example, and they're not going to implement that, what do you believe will be the impact on the EU and their steps going forward? Are they still committed to going forward? Some incoming U.S. administration could then just take the position of tariffs in response.

Have you done any investigations on that or looked into that matter?

Ms. Emmanuelle Lamoureux: Our sense is that the EU very much intends to move forward with its CBAM. It's under implementation already. We're in the first phase of implementation, although the charges are not in place yet. As far as we know, they are moving forward with this.

Mr. Tony Baldinelli: Madam Chair, how much time do I have?

The Chair: I'm sorry. You don't have any time.

Mr. Arya, go ahead.

Mr. Chandra Arya: With globalization and international trade agreements, international trade as we knew it is fast receding.

How difficult do you think it is...? Is it possible to achieve a global consensus on this carbon border adjustment mechanism or anything similar to that?

Ms. Emmanuelle Lamoureux: Certainly, it will be challenging, but what we are seeing now is a movement toward the adoption of such mechanisms among an increasing number of countries. I've mentioned the EU, which is the most advanced, but also the U.K., which will follow shortly after. Australia is also considering it, and Japan as well.

As I mentioned earlier, the challenge there will be interoperability, a consensus on how exactly to make these mechanisms work together to limit the administrative burden on exporters so that those mechanisms, whose intention is to prevent carbon leakage and en-

courage greener industries, do not become unintentional barriers to trade, especially for SMEs.

• (1245)

Mr. Chandra Arya: You mentioned that you see a movement toward that by international partners, but the elephant in the room is the U.S., and the fastest-growing market is the global south, especially the Indo-Pacific area.

If we go ahead while countries like the U.S. or the Indo-Pacific countries do not, do you think we'll ever be able to achieve our objectives?

Ms. Emmanuelle Lamoureux: I just want to make sure that I understand this question correctly. Are you asking if we'll be able to...if the EU will be able to attain its objective if we—

Mr. Chandra Arya: No, I mean that the EU and the U.K., and maybe Australia tomorrow and Japan the day after that, are moving toward this, which is a good thing, but with the U.S. not considering this, along with the global south, especially the Indo-Pacific region, which is the fastest-growing market and where our focus is, what outcome do you expect from that?

Ms. Emmanuelle Lamoureux: If the objective is to level the playing field, I think they may succeed in that objective. If the objective is to reduce global emissions worldwide, of course not having some of the largest players on board will be a challenge, so I would say, partially.

Mr. Chandra Arya: How difficult is it to measure these emissions, the carbon embedded in products? Suppose we get something from Nigeria or Vietnam. How difficult is it for us to measure it?

Ms. Emmanuelle Lamoureux: It can be challenging. That's something that the EU is recognizing. That's why they are allowing for two methods to report on those carbon emissions. The first one, which is the most accurate one, is to report on the actual emission data. But it's also resource-intensive; it requires some data—

Mr. Chandra Arya: The solution is not near-term.

Ms. Emmanuelle Lamoureux: I was going to say there's also an option for a default value for countries or exporters who many not have the research capacity available.

Mr. Chandra Arya: Do you think you're going to hear from our trading partners that we are using this as a protectionist measure?

Ms. Emmanuelle Lamoureux: Some partners have raised concerns. It's hard for them to be definitive, because the EU CBAM is not in place yet and the legislation is still under development. However, certainly several countries are very much engaged on this.

Mr. Chandra Arya: We have seen Russia weaponize trade. We have also seen the U.S. currently using the trade tariffs as a weapon against what they see as a problem with their immigration.

Where do you think it will all lead to?

The Chair: Give a very brief answer.

Ms. Emmanuelle Lamoureux: That's a tough question.

I think we need to be mindful of our international trade obligations in this challenging context that you described and avoid, obviously, a race to the bottom.

The Chair: Thank you very much.

We now go to Mr. Savard-Tremblay for two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

I have a quick question.

Ms. Lamoureux, you spoke earlier about tariffs on China.

Is anything being considered on the Canadian side at this time? Is there a plan to ensure that countries without internal measures can export their products? We're talking about an adjustment, but how do we make that happen?

Ms. Emmanuelle Lamoureux: You're saying “products without internal measures”—

Mr. Simon-Pierre Savard-Tremblay: Products from countries without domestic measures, such as Canada.

Ms. Emmanuelle Lamoureux: I see.

Canada has internal measures, in the sense that there is a price on carbon.

However, in the case of countries that don't have them, that will be taken into account at the European border, where relevant data will be requested. In this case, exporters from those countries would have to pay a higher amount than those that have produced less carbon or have already paid for the carbon that was consumed in the production of the goods.

• (1250)

Mr. Simon-Pierre Savard-Tremblay: Has anything been thought of on the Canadian side?

[*English*]

Mr. Michael Mosier: I think for Canada, when we think about a border carbon adjustment mechanism and we do our analysis here, this is something that would be taken into consideration.

I think you were speaking with respect to the recent surtaxes on China, if I have that correct. Canada would have the option, I suppose, of looking at products that were imported from other countries and considering its tools. Section 53 of the Customs Tariff is one of those tools, although I'm not sure if... There would certainly be other factors to take into consideration.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: On the U.S. side, we know there will be a new president. He wants to cancel a number of environmental measures. During his first term, he abolished several laws. At the same time, the Environmental Protection Agency, as recently as April, wanted to force many coal plants to capture at least 90% of their emissions, or even shut down within eight years. Those two positions are quite different.

Based on your discussions with U.S. officials, should we fear a change in carbon pricing on the American side?

Ms. Emmanuelle Lamoureux: Unfortunately, I'm not in a position to answer that question. I'm not involved in discussions with the United States on those topics.

[*English*]

The Chair: Thank you.

We now go to Mr. Desjarlais, for two and a half minutes.

Mr. Blake Desjarlais: Thank you very much, Madam Chair.

I've given notice of a motion that I'd like to move at this point. I move:

Given that:

a. the Truth and Reconciliation Commission Calls to Action include creating economic opportunities for Indigenous Canadians so they can fully participate in society;

b. Canada, along with Australia, New Zealand, and Taiwan, endorsed the Indigenous Peoples Economic Trade Cooperation Agreement (IPETCA) on December 10, 2021, which “acknowledges the importance of Indigenous economic empowerment through inclusive approaches to trade and working together to identify and remove the barriers that Indigenous businesses face when participating in international trade”; and

c. it is unclear how this agreement has been implemented;

the committee undertake a study of no fewer than 5 meetings to study how IPETCA can serve as a framework to improve cooperation and trade between Canada's Indigenous peoples and Indigenous peoples across the globe, and that the Minister of Export Promotion, International Trade and Economic Development and the Minister of Crown-Indigenous Relations be invited to appear as witnesses.

The Chair: Thank you very much.

You had given us the notice of motion. You've now introduced it.

We are doing committee business on Wednesday afternoon in committee. Would you be okay to defer the debate and discussion until that time?

Mr. Blake Desjarlais: Do my colleagues have questions about it? We could go to a vote now if you're already prepared. We could just dispose of it.

The Chair: If we could just wait until Wednesday to deal with it—

Mr. Blake Desjarlais: Sure. Wednesday works for me, Madam Chair.

The Chair: Wednesday is fine, because we also have a notice of motion from Mr. Williams. We'll deal with both of them on Wednesday afternoon at committee business.

Mr. Blake Desjarlais: Very good, let's do that.

The Chair: Is that good with everybody?

Some hon. members: Agreed.

The Chair: Okay, you still have a bit of time left.

Mr. Blake Desjarlais: Thank you very much—

The Chair: Hold on.

Mr. Savard-Tremblay.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: The interpreters said they had not received the motion. We received it, however. It was therefore sent out.

When written motions are submitted, it's important to pass them on to the interpreters.

[English]

The Chair: Absolutely.

The floor is back to you, Mr. Desjarlais.

Mr. Blake Desjarlais: Thank you very much, Madam Chair.

I agree with my colleague from the Bloc Québécois. I apologize to the interpreters for that document not being present and readily available for our francophone speakers here. I'm sorry about that.

This is my final question, I suppose. I know we'll have a couple more meetings on this. It's related to a question that Mr. Arya had posed, which was about the complex nature of trying to impose such a framework internationally.

What is the number one barrier to creating such a framework?

Ms. Emmanuelle Lamoureux: I don't know if I would be in a position to comment on the number one barrier.

One of the factors is certainly the fact that different carbon pricing approaches exist in different countries. The sectors that different countries are considering focusing the CBAMs on may be different. For example, the sectors that Australia might consider might be different from the EU ones. It's really an alignment of approaches.

• (1255)

Mr. Blake Desjarlais: Is there any time remaining, Chair?

The Chair: You have 50 seconds.

Mr. Blake Desjarlais: Wonderful.

In relation to that model, I'm certain that one of the greatest issues would be relative to major countries increasing their carbon pricing at different rates. I'm certain that, in addition to your question about models, there's also a greater complexity when it comes to when those rates change or when those rates are imposed. That alone would create a significant barrier, I'd imagine, which is probably why you were coming to this in your opening statement, speaking to the administrative concern or the administrative burden of such a project.

Is that correct?

Ms. Emmanuelle Lamoureux: Yes. There's also the issue of how it's calculated. There are a number of considerations that play into the challenges posed by interoperability.

The Chair: Thank you very much.

I'm sorry. Your time is up.

I'm moving on to Mr. Jeneroux for four minutes, please.

Mr. Matt Jeneroux: Thanks, Madam Chair.

I'm hoping to get back to Mr. Mosier.

You mentioned something earlier today in answer to one of my colleague's questions. Consultation was started in August 2021. Is that correct? There's no document, so to speak, of those consultations. You have shared some of that with us. I guess my question is, why isn't there a document on what happened in those consultations?

Mr. Michael Mosier: I can't speak to all consultations. Sometimes the government produces a document, when it makes sense. In this case, I think it didn't make sense from the government's perspective. There were a lot of concerns raised on both sides, and it really went into the analysis that has been ongoing. We spoke today about some of the concerns with respect to some of our trade partners, but beyond that, I can't answer your question specifically.

Mr. Matt Jeneroux: I guess I'm still confused, because they're public consultations, so to speak. Is that correct?

Mr. Michael Mosier: Yes.

Mr. Matt Jeneroux: They're public consultations, where people come in and tell the government their opinions on things. Maybe it doesn't work as well as they thought it would, and then suddenly, there's just nothing that we get to see.

You're in front of us, so I'm putting you on the spot. Was this a direction at some point, saying, "Well, let's just not share this information"?

Mr. Michael Mosier: Not that I'm aware of.

I don't have more information, to be honest, to answer your question. I'm sorry.

Mr. Matt Jeneroux: Okay. Presumably there's something there. Somebody wrote something down. Something is sitting somewhere, and I guess that would be important for this committee to know and to have, because at the end of the day, that is essentially what we're trying to get to the bottom of.

I don't know, Madam Chair, if we have the ability to ask them to send us documents, but this certainly seems like something we should probably have access to at the end of the day.

Mr. Mosier, I'll ask you nicely. Can you please send something back to the committee, without us going through the necessary forcing of the documents to be here? It just seems mind-boggling that there's nothing available right now.

Mr. Michael Mosier: I'd be happy to take that back and see what we can provide to the committee.

Mr. Matt Jeneroux: Thank you. All right. I think we'll revisit that at some point, Madam Chair.

My next question is for Ms. Lamoureux, or maybe Mr. Morton, because his title is "senior adviser".

Is it your advice to the minister right now not to move forward with CBAM?

Ms. Emmanuelle Lamoureux: If you mean CBAM for Canada, being at Global Affairs, it would not be under our remit to make that recommendation. We are looking at the impact of foreign CBAMs on Canadian exports.

Mr. Matt Jeneroux: It says that you're advisers, though. I suspect there's some advice to be given on this.

The Chair: I'm sorry. I tried to stretch the time.

We have Ms. Fortier next, please, for four minutes.

• (1300)

[*Translation*]

Hon. Mona Fortier (Ottawa—Vanier, Lib.): Thank you, Madam Chair.

I'd like to thank the witnesses for being with us today to help us better understand this issue.

I'd like to better understand the potential benefits and repercussions. I think you touched on it a bit, and perhaps my question is too simple.

We are looking at what is happening in the European Union right now. It's Canada's third-largest trading partner. What benefits would flow from aligning our climate policy with that of the European Union? What would be the major benefits for Canada?

Ms. Emmanuelle Lamoureux: Are you talking about the benefits of a Canadian CBAM?

Hon. Mona Fortier: Yes.

[*English*]

Mr. Michael Mosier: With respect to potential alignment.... I'm struggling because CBAMs are typically made to address the domestic market situation. To the extent that Canada would consider implementing a CBAM, it would ensure that, within the domestic market, Canadian producers' products would face the same charge on embedded carbon emissions as foreign producers.

[*Translation*]

Hon. Mona Fortier: Does doing so present an advantage for Canadian companies? For example, could it allow them to continue doing business with the European Union? Canada would like to try to see if it would be beneficial to businesses, because it wants to continue to prosper and wants its economy to continue to grow.

I would like to know whether adopting the European Union's approach would benefit Canadian businesses.

Ms. Emmanuelle Lamoureux: Obviously, it is not my role to comment on a potential Canadian CBAM, but I can say that we will

be watching the results of the border adjustments in Europe with great interest. It was the first jurisdiction in the world to adopt such measures. So that will help us understand the benefits a bit better, but also the potential pitfalls, as well as how to ensure that it's done in a way that respects international trade law.

So I think we can certainly learn from that on our end.

Hon. Mona Fortier: As we've said in other studies, there's a great deal of paperwork. That means there's a significant regulatory burden on Canadian businesses. We have to make sure we do things properly to avoid increasing that burden. If we consider the proposed measure to be beneficial and positive, I imagine we'll move forward and make sure that businesses come out ahead in this exercise.

[*English*]

Mr. Michael Mosier: To speak to the potential for an additional administrative burden and that sort of thing, and how that could impact companies, certainly, importers of products would be required to produce documents showing their embedded emissions.

There are still some open questions on how the CBAM would be designed for Canada if it was implemented. What we've seen in the EU, for example, is a lot of data gathering within the EU and EU companies on their products to set a baseline and understand the price they pay on their embedded emissions. If Canada followed the same approach, there would be an additional administrative data-gathering burden imposed on Canadian businesses to make sure that we understand that.

[*Translation*]

Hon. Mona Fortier: Thank you very much.

[*English*]

The Chair: Thank you very much, colleagues.

Thank you, witnesses, for your valuable information. We appreciate your patience and your being here with us this morning.

For the committee's information, we will have committee business on Wednesday at the end, after we do some work on the draft from our studies on CUSMA and the supply chains. There will be three different things, including committee business.

The meeting is adjourned.

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