

Border Carbon Adjustments



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MARCH 4, 2021

OUTLINE

Canada's Climate Context

- GHG emission levels
- Pan-Canadian Framework

CSPA's Climate Call to Action

Key Principles for BCAs

WTO Role & Opportunity

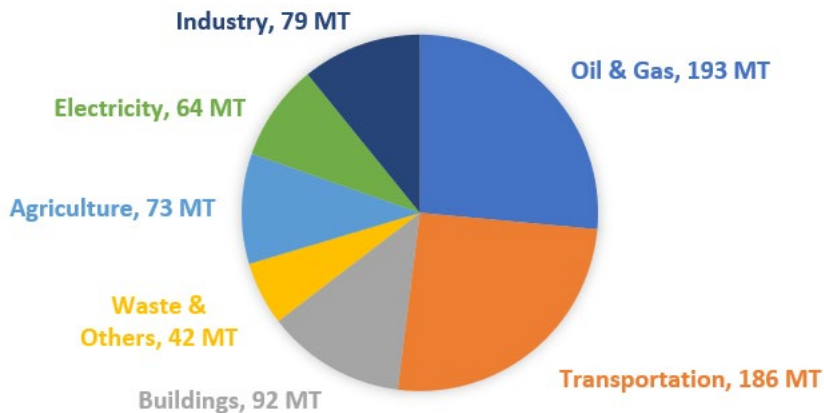
CANADA'S CLIMATE CONTEXT

GHG Emissions by Sector - 2018

Canada represents ~2% of global emissions with the following breakdown:

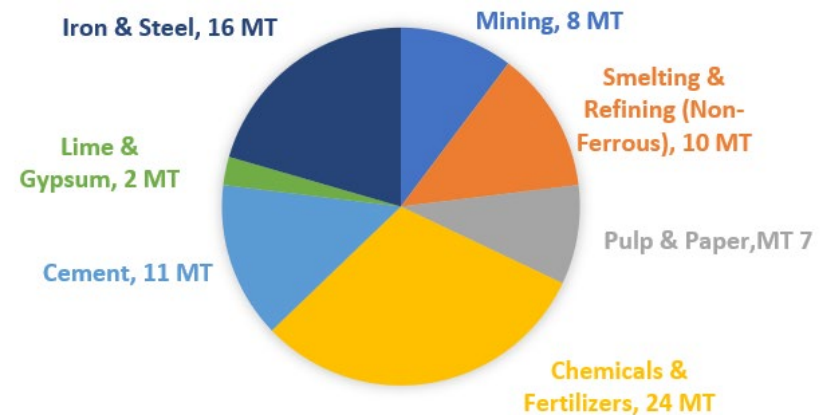
CANADA'S EMISSIONS BY ECONOMIC SECTOR (2018)

million tonnes CO₂e



INDUSTRY EMISSIONS (2018)

million tonnes CO₂e



CANADA'S CLIMATE CHANGE FRAMEWORK

Four Main Pillars

Carbon Pricing	Complementary Actions	Clean Technology, Innovation & Jobs	Adaptation & Climate Resilience
<ul style="list-style-type: none"> • Pricing system for large industry (Output-Based Pricing System) ➤ \$30/t now ➤ \$50/t in 2022 ➤ \$170/t in 2030 	<p>Targeted actions across sectors:</p> <ul style="list-style-type: none"> • Electricity • Transportation • Built Environment • Forestry, Agriculture & Waste • Industry 	<p>Action to:</p> <ul style="list-style-type: none"> • Support the development, commercialization and adoption of clean tech • Promote collaboration 	<p>Priority areas include:</p> <ul style="list-style-type: none"> • Building resilient infrastructure • Addressing health impacts • Reducing climate-related hazards and disaster risks

CSPA CLIMATE CALL TO ACTION

Released March 2020



CANADA'S STEEL PRODUCERS HAVE THE AMBITION TO ACHIEVE NET-ZERO CO₂ EMISSIONS BY 2050.

Our climate approach is based upon achieving five key conditions for success:



Creating unique partnerships & research collaborations



Developing & adopting breakthrough clean technologies & innovative products



Driving operational excellence through state of the art manufacturing



Levelling the playing field & supporting carbon advantages of domestic use of Canadian steel



Ensuring global leadership in sustainability, energy management & environmental best practices

BCA – INDUSTRY ENGAGEMENT

Some Initial Input

- EITE sectors are starting to engage with governments on opportunities and concerns related to how BCAs might work
- CSPA members have been considering the role BCA could play in the context of Canada's multi-faceted climate plan
 - Input sought from other Emission Intensive Trade Exposed (EITE) sectors
- Sharing our initial views on key principles for your consideration
- Work will continue by individual sectors and across the EITE sectors to refine and deepen our views

BCA – PRINCIPLES

A BCA in Canada should:

- Support a *competitive transition* for EITE sectors to net-zero 2050
- Support EITE competitiveness as a *complementary* policy instrument to carbon pricing
 - The level of stringency in the OBPS is the critical policy instrument for protecting the competitiveness of the EITE sector and mitigating leakage
 - Current stringency levels must be maintained until cost-competitive large-scale carbon reduction technologies are available
 - Must not be viewed as a management tool on domestic production or on domestic exports
- Mirror *domestic carbon costs on imports*
- Not *restrict trade*, in particular with major trading partners (e.g. US, EU)

BCA – PRINCIPLES (CONT'D)

A BCA in Canada should:

- Mitigate potential *distortions* among substitute products, raw materials and end-use products (as it relates to the BCA's scope, coverage and timing)
- Support EITE decarbonization efforts through *revenue recycling*
- Be *simple* in design and application (trade off between accuracy and feasibility)
 - BCA would require transparent, consistent methodology and strong monitoring and tracing of imports to be effective
- Be *WTO consistent*

BCA – WTO ROLE

An Important Forum

- Climate change is the biggest and most complex environmental issue to be encountered by the WTO
- BCAs are at the nexus of trade and environmental policy, and an important element of global carbon reduction policies
- WTO provides a forum for member countries to collectively discuss BCA implementation challenges and to develop solutions to those challenges within the WTO system
 - Ensure measures achieve environmental and trade objectives
 - Seek to achieve a framework for multilateral approaches
 - Examine existing WTO rules to identify opportunities and barriers
- Industry would welcome a collaborative and transparent process to engage on emerging climate and BCA solutions.