



STAND UP FOR STEEL

Significant progress on key demands

Since our last Stand up for Steel Conference in May 2020, our union has made significant progress on trade remedy reform and advancement on the other issues we pushed for.

As a result of years of lobbying and local union participation in trade cases, trade unions won the right to file anti-dumping, anti-circumvention and safeguard cases in the 2022 federal budget. We also won an expansion of the definition of material injury. During CITT injury inquiries, the trade tribunal must now consider impact on workers when determining whether unfairly traded goods have caused harm. This includes consideration of the impact on job loss, pensions, health and safety, community impact, among others. Also in 2022, we won stronger anti-circumvention measures that allow the CBSA greater discretion to investigate circumvention of imposed duties.

Our local union members have continued to participate heavily in trade cases in all three districts. As of 2023, local unions are now able to submit substantial information related to the material impact of unfair trade on their members and communities.

The engagement of USW members in these cases and in lobbying has directly resulted in worker-friendly trade remedy reforms.

In 2024, we will continue to advance our trade remedy work, but we will also focus on a proactive approach on creating strong, stable domestic markets that prioritize the use of Canadian-made steel. We must leverage the comparatively low-carbon and high-quality steel that USW members produce while we stand up for good Canadian jobs and a clean environment.

USW members are the backbone of the Canadian steel industry

The USW represents over 15,000 workers in the Canadian steel industry. From service centers to primary steelmaking and rolling mills, to deep drawing and distribution, USW members work throughout the Canadian steel supply chain. USW members produce a wide range of intermediate and final steel products which are essential to our economy and society. These products include the highest quality automotive grades of steel for the auto sector, plate for domestic infrastructure and national defense, rebar and structural steel for construction, and pipe and tube products to domestic and North American energy markets. USW members are the cornerstone of the Canadian steel industry and make vital contributions to the Canadian and wider North American economy.

Who and where we are?

Local	Employer/Local	Location	Products
Flat Products	Stelco/8782,8782b,1005	Hamilton, Nanticoke, ON	Pig Iron, Slabs, HRS, CRS, Galv
	Algoma/2251, 2724	Sault Ste. Marie, ON	HRS, CRS, HRC, Plate
	Evrz/5890	Regina, SK	HRC ,Plate, LDP
Long Products	ArcelorMittal LP/6586	Contrecoeur, QC	Slabs, Billets, Wire Rod,
	ArcelorMittal LP/8897	Longueuil, QC	SBQ/MBQ/Rebar
	ArcelorMittal LP/	Hamilton, ON	Wire
	ArcelorMittal LP/5328	Montreal, QC	Wire
	AltaSteel/5220	Edmonton, AB	Billets; MBQ/Rebar
	IVACO/8794/7940	L'Orignal, ON	Billets; Wire Rod
	Gerdau Whitby/6571	Whitby, ON	Billets; Rebar, Structural
	Gerdau Selkirk/5442	Selkirk, MN	Billets; Structural
	Gerdau Cambridge/8918	Cambridge, ON	MBQ, Rebar
	Sivaco/ 6818	Marieville, QC	Wire
Tube and Pipe Products	Evrz/6673	Calgary, AB	Casing, Tube, OCTG
	Nova/2423	Montreal, QC	HSS, Mechanical ERW
	Welded Tube/8328	Vaughan, ON	HSS, Mechanical ERW
	Bullmoose Tube/14162	Burlington, ON	HSS, Mechanical ERW
	Tenaris/ 9548	SSM, ON	OCTG

The Canadian steel industry is the backbone of the Canadian economy

The Canadian steel industry is vital to Canada's economic performance. It is a critical supplier to many industries in the Canadian supply chain, including the automotive, energy, construction, and transportation sectors. It contributes over \$4 billion annually to Canada's gross domestic product (GDP) and generates over \$18 billion annually in revenues.¹

The Canadian steel industry employs over 23,000 Canadians directly. Indirectly, conservative estimates suggest that every direct job in the steel industry supports 3.3 other Canadian jobs. Other moderate estimates suggest that the steel employment multiplier is higher, between 3.5 to 7.² Using the latter range, the steel industry supports anywhere from 80,000 to over 160,000 jobs in the Canadian economy. Steel workers also make good wages, earning over \$1.75 billion dollars in 2023 and they spend those wages in their local communities, which helps sustain local jobs.

¹ February 2004; annualized.

² See Peter Warrian "The Importance of Steel Manufacturing to Canada-A Research Study", Munk School Briefings, July 2010.

The Canadian steel industry is under threat

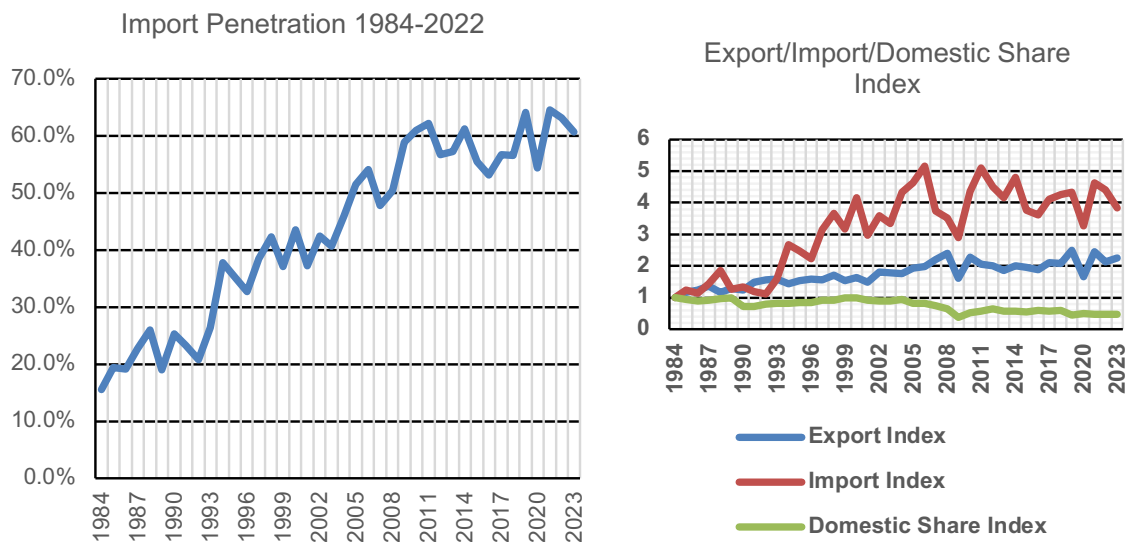
The Canadian industry faces two major interrelated but separate threats: import penetration and carbon leakage (see page 4).

Import Penetration

From 1984 to 2023, steel imports' share of the Canadian market climbed from 15.5% to 61%. These trends are both caused and worsened by the effects of unfair trade, overcapacity in foreign markets and circumvention of global and domestic trade rules. Canadian steel producers often must compete with non-market countries, such as China, which unfairly subsidize their domestic producers and foreign producers, which dump their products at fire sale prices in the lucrative Canadian market.

This level of import penetration is unsustainable and is undermining the Canadian steel industry.

The rising influx of foreign steel has had the effect of pressuring employers to look to export markets to sell their goods, with little success. Exports of Canadian made steel have doubled since 1984 and now account for over 50% of our domestic production. However, during the same period the level of imports have grown four-fold³ and imports of steel products now make up over 60% of Canadian domestic steel consumption.⁴ The result is that Canadian consumption of Canadian-made steel products has declined by more than 50% since 1984.



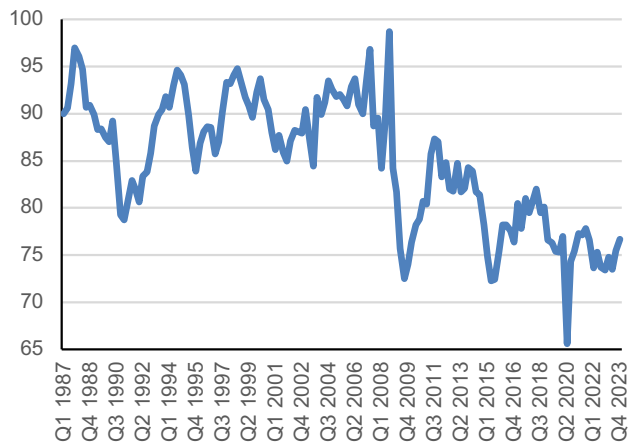
The impact of these patterns has been disastrous both the Canadian steel sector and for Canadian workers. In terms of raw steel capacity, we have lost over 5 million metric tons (MMT) of raw steel capacity since 1980, with most of that occurring after 2009. Our raw steel production levels, about 12 MMT per year on average, are their lowest since the early 1970s. Canada has also lost considerable capacity in the flat, structural steel and rail product segments over this same period.

³ Data from World Steel Statistical Yearbook 2023

⁴ Data from World Steel Statistical Yearbook 2023; Global Steel Monitor; authors calculations

The decline of the Canadian steel sector has caused considerable harm to Steelworkers and the communities in which we work. In terms of employment, since 2001 employment in the Canadian steel industry has declined by 43.6%. Likewise, capacity utilization rates - the percentage of a steel producers' potential output that is actually being realized - have been trending downwards consistently since the Great Financial Crisis. The other consequences of steel sector decline in Canada are unfortunately too well known; bankruptcies, the elimination of product lines and excess capacity, full mill closures, layoffs, declining capacity utilization and aggressive concessionary bargaining.

Capacity Utilization: 1987-2023



Steel Sector Employment: 2001-2023



These are some of the main reasons why we want to increase the use of Canadian made steel within Canada: a strong domestic market for Canadian produced steel means more good steel jobs, which supports and builds local economies and communities. Using more Canadian made steel also means we become less reliant on export markets to sustain our industries and our jobs. Increasing the use of Canadian made steel within Canada, in our domestic infrastructure projects, is always a policy choice and something we, as Canadians, can control.

Carbon leakage

Carbon leakage refers to a situation where a company decides to move their production from a country with stringent policies, to a country that is more lenient, leading to an increase in greenhouse gas emissions.

Canadian steel producers are required to pay a modified price on their carbon emissions. If producers are unable to pass on this additional cost to consumers in their market prices, this cost will cut into their profitability. As discussed, the Canadian market is already under the permanent threat of subsidized and dumped foreign products lowering prices. A price on carbon puts further pressure on the Canadian steel industry. It may ultimately lead to the closure of cleaner and greener domestic producers with the perverse consequence of shifting production to countries and firms that do not have a price on carbon and whose emissions are substantially worse than Canadian producers.

Countries such as India, China, South Korea and Turkey all produce substantially dirtier steel than steel made in Canada yet they do not have to pay a price on carbon. These countries' share of the Canadian market has only grown, from 9% in 2015 to 16% in 2022. These trends undermine the objective of placing a price on carbon and increase our dependence on foreign made steel. Carbon leakage is not only bad for the environment, but a threat to Canadian domestic steel sovereignty.

As the *Report on the Canadian Steel Industry Energy & Greenhouse Gas Emissions Intensity, Technology and Carbon Reduction Roadmap*⁵ demonstrates, Canadian steel that is produced locally by domestic steel producers has some of the lowest GHG emission intensity in the world. This is true for both electric arc furnace (EAF) and basic oxygen furnace (BOF) steel production. Furthermore, the carbon emissions intensity of our energy grid to power our mills is second in the world. Not only are Canadian steel mills some of the cleanest in the world, so too are our sources of energy.

Canadian made steel is cleaner and greener than other foreign produced steel. By increasing domestic use of Canadian made steel, we reward Canadian steel producers and steelworkers who already produce some of the cleanest steel in the world. We also avoid rewarding countries who have not sought to decarbonize their steelmaking processes and we avoid the additional emissions that come from transporting steel to Canada.

Priorities

We need to reverse the decline of Canada's vital steel industry. We can do this by increasing the demand for Canadian made steel in public procurement projects, by ensuring that imported steel prices reflect their carbon emissions and by strengthening our capacity to monitor, identify and enforce measures against dumped and subsidized steel products in the Canadian market.

Increasing the use Canadian-made steel in public infrastructure projects

Domestic procurement rules should do more to favor the use of Canadian-made steel in public infrastructure projects. The public sector is a large consumer of steel; it accounts for roughly 30% of steel purchased in Canada. Unfortunately, too many public dollars are spent to purchase foreign made steel. For instance, in 2018 the CBC reported that 17% of the steel for the new Arctic and Offshore Patrol Ships was sourced from China alone in addition to other European suppliers. In 2019, the federal government exempted dumping duties on Chinese fabricated steel for two Liquefied Natural Gas (LNG) projects in B.C. in a project worth \$42 billion.

Public sector procurement contracts should have mandates which require contractors to maximize the use of Canadian made steel and allowing exemptions only under stringent circumstances.

We must also leverage Canada's comparatively low-carbon steel not only in public infrastructure projects, but also in private infrastructure projects. This could take the form of low-carbon steel and embodied carbon requirements in construction projects.⁶

⁵ Golder Associates Ltd. & Thorn Associates, (2021). "Canadian Steel Industry Energy & Greenhouse Gas Emissions Intensity, Technology and Carbon Reduction Roadmap"

⁶ For more information on using standards on embodied carbon in construction projects, please see "Lessons from the United States on "Buying Clean" and recommendations for Canada. Clean Energy Canada. 2022.

Canada also needs to match the massive physical infrastructure investments seen in the US *Inflation Reduction Act*. The 2022 legislation included \$433 billion in new investments and spending. It included provisions on clean energy tax credits with domestic content and labour stipulations, advanced manufacturing tax credits and other investments aimed at assisting the decarbonization of heavy industry while maintaining good jobs. The IRA amounts to a comprehensive green industrial strategy that Canada has yet to match.

Ensuring that imported steel prices reflect their carbon content

To address the threat of carbon leakage, Canada needs to tax imported steel so market prices reflect the full cost of their carbon emissions.

Canadian producers make greener and cleaner steel; this should be a competitive advantage for our steel industry. Yet since Canada progressively puts a price on its carbon emissions, it is, in the absence of a level playing field, a liability that penalizes domestic producers and Canadian steelworkers.

A fair and equitable Border Carbon Adjustment (BCA) will level that playing field. Recently, the European Union implemented a border carbon adjustment on steel and other imported goods to address the threat of carbon leakage. Canada would do well to learn from this.

We must not let other countries' poor environmental standards give them a competitive advantage over Canadian producers. While the United States does not have a price on carbon, it is developing policies and international partnerships to leverage its comparatively low-carbon steel to bolster its domestic steel sector. Canada must continue to work closely with the United States as we develop a border carbon mechanism that will strengthen, rather than harm, our close trading relationship.

Strengthening our capacity to monitor, identify and enforce measures against dumped and subsidized steel products

The federal government needs to dedicate more resources to the Canadian Border Services Agency so it can effectively monitor trade flows, identify unfairly traded goods and ensure transparency along the steel supply chain.

We have made a number of advancements on the trade remedy front in recent year. This includes successful participation in trade cases against foreign producers who subsidize and dump steel in the Canadian market, the ability to initiate trade cases, and the recent announcement to increase transparency in the steel supply chain through melt and pour reporting requirements. However, these advancements risk being ineffective if we do not have the capacity to accurately and accessibly monitor steel imports and enforce orders and regulations.

Overall

It is vital that we bolster domestic demand for made in Canada steel. For a generation, however, we have seen the domestic steel industry eroded while the Canadian market has become home to imported high emissions steel. The federal government must play a much more proactive role; it cannot solely rely, as it has in recent decades, on the inherently reactive trade remedy system currently in place.

The federal government, along with provincial governments, must ensure that public dollars, procurement policies and infrastructure projects use Canadian made products and support domestic industry and employment. Canadian-made steel must be used for domestic infrastructure projects and incentivize the private sector to use more Canadian made steel.

We need to be proactive and quickly move toward the adoption of a Border Carbon Adjustment to complement the current domestic price on carbon, so that domestic producers are not placed at a further competitive disadvantage.

We must do more to limit the penetration of dirtier imports in the Canadian market. We can and need to do more to proactively protect and support our domestic steel industry and its steelworkers. Ultimately, these priorities must form part of an overarching industrial policy for the steel industry.