



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

44th PARLIAMENT, 1st SESSION

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# Standing Committee on Industry and Technology

EVIDENCE

**NUMBER 004**

Thursday, January 27, 2022

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Chair: Mr. Joël Lightbound





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• (1735)

[Translation]

**The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)):** Good evening, everyone. I call this meeting to order. Welcome to meeting number 4 of the House of Commons Standing Committee on Industry and Technology.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, January 20, 2022, the committee is meeting to continue its study on critical minerals. Today's meeting is taking place in a hybrid format, pursuant to the House order of Thursday, November 25, 2021. Members are attending in person in the room or remotely using the Zoom application. As for the health rules that are in place, I think everyone is familiar with them by now. Those who are present in Ottawa should therefore take the necessary precautions.

That said, I will introduce the witnesses who are doing us the honour of appearing tonight, and whom we thank.

We have the Honourable François-Philippe Champagne, who is the member of Parliament for Saint-Maurice-Champlain and Minister of Innovation, Science and Industry; Ms. Cherie Anderson, Assistant Director of Requirements at the Canadian Security Intelligence Service; Mr. Simon Kennedy, Deputy Minister at the Department of Industry; Ms. Katherine Burke, Director General of the Investment Review Branch; Mr. Jeff Labonté, Assistant Deputy Minister, Lands and Minerals Sector, Department of Natural Resources; Dominic Rochon, Senior Assistant Deputy Minister, National Security and Cyber Security Sector, Department of Public Safety and Emergency Preparedness.

Without further ado, we will begin with opening remarks by Minister Champagne, who is scheduled to leave at 6:30 p.m. As for the officials, they will be present to answer questions from members of Parliament throughout the meeting, until 7:30 p.m. I wanted to convey that information to the members of the committee.

Minister, you have the floor.

**Hon. François-Philippe Champagne (Minister of Innovation, Science and Industry):** Thank you, Mr. Chair.

Colleagues, thank you for welcoming me to the committee this evening. I would like to take this opportunity to wish you a happy 2022.

I also thank you for the opportunity to set the record straight on Canada's approach to the review of foreign investments, particularly those involving critical minerals.

[English]

First of all, let me be very clear with all Canadians watching tonight. Under the Investment Canada Act—or, as we call it, the ICA—all foreign investments are subject to a thorough review. This process is agnostic of country or industry and applies regardless of the value of the investment. It is a multistep process led by my department and Canada's national security and intelligence agencies.

Investments in critical minerals receive immense scrutiny. As you will recall, in March 2021 I was the one who updated the publicly available national security guidelines to make it clear to the world that we will apply this enhanced scrutiny when critical minerals are implicated. As a former minister of infrastructure and of international trade, as well as foreign affairs, I have been thinking about these issues from a number of angles and for many, many years. That is the perspective I now bring as Minister of Industry of Canada.

Transactions involving critical minerals are systematically and thoroughly reviewed and scrutinized. Neo Lithium was no exception. Let me be very clear: Neo Lithium was reviewed by the government and national security experts, full stop.

[Translation]

Let's be clear, we will not compromise on national security issues. That is our top priority.

The national security review framework built into the act is a critical tool that allows us to protect Canada from these threats.

[English]

Now, I understand that not everyone is familiar with how the ICA works, so let me provide some details on the process.

From day one, security and intelligence agencies assess information and intelligence related to the Canadian asset being acquired or business being established, the terms of the investment and the foreign investor. This often includes consultations with Canada's allies.

Following these consultations, investments that could be injurious to national security are referred to the Governor in Council, who may order a further extended review under section 25.3 of the act. If the transaction does not meet the legal threshold to extend the review further, meaning it is found to not be injurious to Canada's national security, then the process ends.

People mistake the extended review as being the only one in which national security concerns are taken into consideration. Let me be clear that a section 25.3 order is not required for the security and intelligence agencies and other investigative bodies to review an investment: From the moment we become aware of a proposed investment, the legal authorities to investigate under the act are exactly the same through each period of the multistep review process.

It is this review process that was followed in the case of Neo Lithium. Those who claim that a national security review was not done in this case are simply, knowingly or unknowingly, misrepresenting the facts. Instead, they are cherry-picking and jumping ahead to another step in the process that is further down the chain of verifications under the ICA.

There was sufficient information to make a determination at that stage of the review that no national security harm could arise as a result of this transaction.

[*Translation*]

Let me repeat this in French: the Neo Lithium transaction was carefully reviewed by experts, and no harm or risk to Canada's national security was identified to warrant an extension of the review.

[*English*]

It must be noted that by law there are stringent confidentiality requirements to protect both the commercially sensitive information shared by companies during a review and any classified information relating to Canada's national security.

It is public knowledge and worth repeating here that although Neo Lithium is domiciled and incorporated in Canada, the mine is in Argentina, the operations of the company are in Argentina and all but a handful of its employees are based in Argentina.

Finally, we are going to be talking a lot about critical minerals in the years ahead—at least, I hope so—so let's clarify certain things.

One could be misled into thinking that all critical minerals are inherently the same and of equal value. The reality is that critical minerals come in many forms, with varying degrees of importance to Canada's supply chain. Each deserves its own consideration and action.

● (1740)

[*Translation*]

We understand the importance of critical minerals. That's why, in Budget 2021, our government announced funding to improve Canada's supply of critical minerals.

In addition, Minister Wilkinson and I are developing a Canadian critical minerals strategy, in addition to our \$8 billion investment in the Net Zero Accelerator initiative, to attract major investments across the electric vehicle battery supply chain.

[*English*]

In the case of lithium and battery production, for example, there is lithium carbonate and there is lithium hydroxide. Electric battery production in North America does not require or rely on imports of lithium carbonate. Even a cursory look at the market shows that lithium hydroxide is the product preferred by automakers, manufacturers, cathode suppliers and consumers in North America, Europe and Japan for electric vehicle battery production.

Factors such as the nature and strategic value to Canada of the mineral deposits involved, the ability of Canadian supply chains to exploit the asset, Canada's projected ability to produce a commodity itself, global commodity prices, current geopolitical circumstances and the nature of the Canadian business are all taken into consideration when determining what constitutes a national security concern. These are some of the important factors the government considers when deciding whether an investment is a potential risk to Canada's national security.

I would say, Mr. Chair, that it is irresponsible to brush them aside for a good headline. Canadians deserve a sober, thoughtful and factual conversation on this matter. Our government's record makes it abundantly clear that where national security is concerned, we do not hesitate to take decisive action, and our assessment of risk keeps pace with evolving economic and geopolitical circumstances.

[*Translation*]

Thank you [*Technical difficulty*].

[*English*]

**The Chair:** Thank you, Minister.

Before we start, witnesses, try to keep your answers as proportionate to the questions as possible.

Colleagues, I've stolen a trick from the previous chair, the former chair of this committee: A yellow card means 30 seconds; red means time's up.

We'll start, for six minutes, with Mr. Fast.

The floor is yours.

**Hon. Ed Fast (Abbotsford, CPC):** Minister, thank you for appearing before our committee.

I want to assure you that we are doing our job and bringing sober thought to a very serious issue, which is Canada's national security and the security of our supply chains in a burgeoning lithium battery industry in the world.

Minister, you are aware of the revised Investment Canada Act guidelines, which you released, which call for enhanced scrutiny of transactions involving state-owned enterprises.

**Hon. François-Philippe Champagne:** Indeed I am, Mr. Fast, because I'm the one who, as you said, instructed the department to publish them.

**Hon. Ed Fast:** You're aware of the updated ICA guidelines that were released about a year later, calling for enhanced scrutiny of deals involving critical minerals.

**Hon. François-Philippe Champagne:** Indeed I am, because I'm the one who issued the guidelines.

**Hon. Ed Fast:** Critical minerals include lithium. Is that correct?

**Hon. François-Philippe Champagne:** Indeed.

**Hon. Ed Fast:** Are you familiar with the Canada-U.S. joint action plan on critical minerals collaboration—and I emphasize “collaboration”—which was established to improve information sharing when it comes to critical minerals and rare earths, signed in 2020?

• (1745)

**Hon. François-Philippe Champagne:** Yes, I am.

**Hon. Ed Fast:** All right. That plan calls for much greater collaboration between Canada and the United States when it comes to the security of our critical minerals supply chains. Is that correct?

**Hon. François-Philippe Champagne:** Indeed.

**Hon. Ed Fast:** When exactly were you made aware of a proposal for Zijin Mining Group, a state-owned enterprise out of China, to purchase the Canadian critical minerals company Neo Lithium?

**Hon. François-Philippe Champagne:** Let me be clear with you, Mr. Fast, and with all Canadians who are watching. There was absolutely a national security review when it came to the Neo Lithium transaction. That transaction was reviewed by all the relevant departments within the Government of Canada—

**Hon. Ed Fast:** Actually, that wasn't my question.

**Hon. François-Philippe Champagne:** —our national security agencies and intelligence agencies.

**Hon. Ed Fast:** Minister, with respect—

**Hon. François-Philippe Champagne:** Let me just finish.

**Hon. Ed Fast:** My question was, “When?”

**Hon. François-Philippe Champagne:** It was subject to immense scrutiny according to our own guidelines, which I published in March of last year.

**Hon. Ed Fast:** Minister, that wasn't the question I asked.

When exactly were you made aware of this transaction?

**Hon. François-Philippe Champagne:** The power to investigate starts the moment we're aware of the transaction. I can assure you and all Canadians that in all circumstances not only will we review the transaction in terms of national security but, as you said, Mr. Fast—

**Hon. Ed Fast:** So I assume—

**Hon. François-Philippe Champagne:** You were a very experienced minister at the time. This transaction was subject to enhanced scrutiny under the guidelines that you just referred to.

**Hon. Ed Fast:** Minister, I'm going to ask a third time: When did you find out about this transaction? What was the date?

**Hon. François-Philippe Champagne:** Mr. Fast, as I said to you, as an experienced minister, that transaction was subject.... As you know, I'm trying to be as fair and transparent with you as I can be under the act—

**Hon. Ed Fast:** No, no, you're not answering the question.

**Hon. François-Philippe Champagne:** I'm trying to be as transparent as I can be with you and Canadians. What I can tell you is that under the act, as you know—

**Hon. Ed Fast:** Let me try a different question.

**Hon. François-Philippe Champagne:** —there are a number of provisions—

**Hon. Ed Fast:** If you won't answer that one, let me ask—

**Hon. François-Philippe Champagne:** —that require confidentiality.

**The Chair:** Gentlemen, if I may intervene....

Let the minister finish answering, and then, Mr. Fast, you can ask....

I'll give the floor to Mr. Fast to ask his question.

**Hon. Ed Fast:** Thank you, Mr. Chair. I hope this isn't clawing away at my time. We can't afford to have the minister not answer questions but waste the time of the committee. I am here with a serious effort to get to the bottom of this transaction.

I will move on to my next question, because the minister failed to answer that one.

Minister, did you receive a briefing from your officials on the transaction?

**Hon. François-Philippe Champagne:** As I said, Mr. Fast, as you're very aware, there are a number of confidentiality requirements under the act, which I'm not at liberty to expand...but what I can say to you and all Canadians is that this transaction, because it involves a critical mineral, was reviewed for national security and was subject to enhanced scrutiny under the guidelines that I published last March.

**Hon. Ed Fast:** Did you receive a briefing from officials?

**Hon. François-Philippe Champagne:** As I said, again, you are familiar, because you're very experienced as a minister, that I'm not at liberty—

**Hon. Ed Fast:** Just yes or no.

**Hon. François-Philippe Champagne:** —to answer the details.

**Hon. Ed Fast:** Yes or no.

**Hon. François-Philippe Champagne:** What I'm saying to you—

**Hon. Ed Fast:** Yes or no.

**Hon. François-Philippe Champagne:** —is that the transaction was subject to a national security review.

**Hon. Ed Fast:** Okay. I'll move on.

Did you apply the enhanced scrutiny that your guidelines called for?

**Hon. François-Philippe Champagne:** Absolutely, Mr. Fast. There are not two national security processes. There's only one national security process, which is a multistep process that involves, from day one, national security. I would refer you to the act. Under the act, as minister, the power to investigate, to compel the submission of documents and answering questions, starts from day one. So—

**Hon. Ed Fast:** Minister, you brought in—

**Hon. François-Philippe Champagne:** —I'm not understanding what you're trying to get at, because what I'm saying is that national security is a multistep process that starts from day one.

**Hon. Ed Fast:** Minister, my question is this: Did you apply the enhanced security review that you yourself introduced with a new set of guidelines, yes or no?

**Hon. François-Philippe Champagne:** Yes, we did.

**Hon. Ed Fast:** How did you do that? How was that the case, when you didn't even exercise the additional 45 days that the act allows for?

**Hon. François-Philippe Champagne:** With respect, you're misleading Canadians when you're saying that. There are not two national security review processes. There's only one national security review process.

**Hon. Ed Fast:** It's a multi-stage review process, which you suggested.

**Hon. François-Philippe Champagne:** It's a multistep process, but it starts on day one—the power to compel. The moment we become aware of information about a transaction, we have the power to investigate. That's exactly what we did in this circumstance.

**Hon. Ed Fast:** Minister, did you personally consult with Canada's public safety minister on this transaction?

**Hon. François-Philippe Champagne:** There is a very well-established process between me and the public safety minister of Canada.

**Hon. Ed Fast:** So did you?

• (1750)

**The Chair:** Thank you, Mr. Fast.

**Hon. Ed Fast:** That's the question—yes or no?

**Hon. François-Philippe Champagne:** I'm saying there's a very well-established process between our two departments—

**Hon. Ed Fast:** That's not an answer—

**Hon. François-Philippe Champagne:** —when it comes to national security.

**Hon. Ed Fast:** —and you know that.

**The Chair:** Mr. Fast, that's all the time we have for this round. We'll come back to the Conservatives.

We will move to Mr. Dong and Mr. Erskine-Smith for six minutes.

**Mr. Han Dong (Don Valley North, Lib.):** Thank you very much, Chair.

It's very good to see you, Minister Champagne.

**Hon. François-Philippe Champagne:** It's good to see you again as well, and all the members of the committee.

**Mr. Han Dong:** Welcome to the committee.

You said in your earlier statement that in March 2021 you announced the updated guidelines on the national security review of investments issued under the Investment Canada Act. Can you explain the timing and the rationale behind that decision and how that decision strengthened Canadians' interest in critical minerals?

**Hon. François-Philippe Champagne:** Thank you very much for the question, Mr. Dong, because that's very important.

On the one hand, we want to welcome foreign investment in Canada. On the other hand, we want to protect our national security. What I issued in March last year was to make sure that investors from around the world would be well aware that we would apply enhanced national security when it comes to a number of things—companies in Canada involving personal data, sensitive technology, and critical minerals—to the question from our colleague Mr. Fast.

Obviously, this was very much needed. As I told you, as a former trade minister and foreign affairs minister, I'm very well aware of the geopolitical circumstances we're living through. In terms of consulting with allies, I've been talking to colleagues in Europe and in the United States to make sure we have a system of trusted partners when it comes to the resiliency of our supply chain. I think telling the world that, yes, Canada is open for business but that we would, at the same time, apply enhanced national security when it comes to certain areas, like critical minerals, was a great signal and a much-needed signal to make sure that people knew exactly what we would do if they intended to invest in Canada.

**Mr. Han Dong:** In short, the decision to update the guidelines does strengthen Canadians' interest in critical minerals.

**Hon. François-Philippe Champagne:** Well, we want to protect our national security. As you may have seen, not only did I introduce the new guidelines, but in July of last year I also introduced a new framework for research security in Canada.

As you would recall, I did not hesitate to block transactions. You may recall the TMAC mine in Nunavut, where we blocked the foreign acquisition, and more recently, through the Governor in Council, we have ordered that China Mobile divest itself of its assets in Canada.

On the one hand, we are open for business.... That's what I was trying to say to our colleague Mr. Fast. There is only one national security review process. It's a multistep process that starts from day one. It involves all the relevant departments, the national security agencies and the intelligence agencies of Canada, and we make a determination to make sure that, on the one hand, we welcome investment in Canada, but one thing is sure: We will never compromise national security.

**Mr. Han Dong:** That's good.

Are all foreign transactions reviewed?

**Hon. François-Philippe Champagne:** We review all foreign transactions for national security. As I said, this was very much the case when it came to Neo Lithium. This was absolutely reviewed. As I said, anyone who suggests otherwise is not grounded in facts.

This was reviewed from the moment we were made aware of the transaction. We not only applied the review, but we applied enhanced scrutiny under the new guidelines.

**Mr. Han Dong:** Thank you.

Chair, I'll give the rest of my time to MP Erskine-Smith.

**Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.):** Thanks to my colleague Mr. Dong.

**Hon. François-Philippe Champagne:** It's good to see you.

**Mr. Nathaniel Erskine-Smith:** It's good to see you too.

Minister, my question relates to state-controlled and state-owned enterprises. Our committee, in the last session, recommended that where you do have acquisitions that involve state-controlled or state-owned enterprises, you would implement a fuller national review. I understand that there is a preliminary base and there is a look at acquisitions regardless, but the act does provide for a full-some national security review.

Walk me through whether that did take place. If it didn't take place, why didn't it take place, given the acquiring company in this instance?

**Hon. François-Philippe Champagne:** I appreciate that. That's a very good question.

You may have seen this in the new guidelines that we published, in section 7: "The Government will subject all foreign investments by state-owned investors, or private investors assessed as being closely tied to or subject to direction from foreign governments, to enhanced scrutiny". That's the point I was trying to make to your colleague before.

I'm happy you asked the question, because any suggestion...and there were suggestions before by members to say, "Was that subject to enhanced scrutiny?" The answer is yes, absolutely, because that's exactly what the guidelines call for. But the suggestion that... The national security process under the act, as I tried to explain, is a multistep process, but the national security review starts from day one.

● (1755)

**Mr. Nathaniel Erskine-Smith:** Minister, the witnesses we heard yesterday emphasized what I think is a useful point, which is that if Canada decides on every single transaction on a case-by-case basis, then we miss the forest for the trees. If you want to have a broader strategy around critical minerals, you can't simply do it piecemeal and case by case. You have to take a step back and look at the broader strategy.

Walk me through how this particular transaction plays into a broader strategy. Do we do it on a case-by-case basis, or are we taking a step back and looking at the bigger picture?

**Hon. François-Philippe Champagne:** Well, obviously transactions are reviewed on a case-by-case basis, but totally to your point, we're taking the big picture. That's what the guidelines were for. I would say—and I know you have a lot of experience when it comes to technology—that's why, at that time, in March of last year, I wanted to tell the world that if they intend to invest in Canada, if they invest in critical minerals, in strategic technologies or in any companies involving the personal data of Canadians, they will be subject to enhanced scrutiny.

That's exactly what I was trying to explain to the member before. This transaction and any transaction involving state-owned enterprises, under the new guidelines that I've put in place, will be subject to additional scrutiny, what we call "enhanced scrutiny" under the act.

**Mr. Nathaniel Erskine-Smith:** Thank you, Minister.

[Translation]

**The Chair:** Thank you, Minister. Unfortunately, that is all the time we have.

I now yield the floor to Mr. Lemire, who has six minutes.

**Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ):** Thank you, Mr. Chair, and Minister.

**Hon. François-Philippe Champagne:** Good evening; how are you?

**Mr. Sébastien Lemire:** I'm very well, thank you.

Thank you for being here today.

**Hon. François-Philippe Champagne:** I'm pleased to see you again.

**Mr. Sébastien Lemire:** At our meeting yesterday, we heard from Mr. Wesley Wark.

In response to a question, he mentioned that it was impossible to really know whether the acquisitions made by China were made for strictly commercial or rather geostrategic reasons. In his view, more and more national security reviews should definitely be done; in fact, they should be done systematically.

What do you think about that?

Your recent mandate letter calls for a modernization of the Investment Canada Act to strengthen the national security review process and better assess and mitigate economic security threats arising from foreign investment.

**Hon. François-Philippe Champagne:** Thank you for asking that question, Mr. Lemire.

That is exactly what I tried to do, back in March, by issuing new guidelines. We set out a very clear framework under which transactions involving critical minerals, for example, are subject to even greater scrutiny. That is what we did in the case of Neo Lithium and that is what we will continue to do.

As you said, you have to look at each transaction, but you also have to look at all transactions. In the case of the TMAC mining company in Nunavut, we did not hesitate to block the transaction when a foreign investor wanted to buy the company. I also asked China Mobile to divest its assets in Canada.

You're right, and that's why we consult our allies when necessary. That's why we have a rigorous process that works well.

I continue to talk to my partners internationally about supply chains to see how we can have reliable partners in Europe and the United States. Also, in Quebec, we are building a whole battery ecosystem. We've already talked about that. Of course, we are paying a lot of attention to all the issues regarding lithium, manganese, graphite, nickel and cobalt.

**Mr. Sébastien Lemire:** At the previous committee meeting, Mr. Wark stated that only 1% of foreign acquisitions of Canadian companies were subject to a national security review, which seems very low to me.

Do you believe in the effectiveness of the Canadian national security review process and the rules in place? Don't you think that the criteria on which the decision to review or not to review is based should be broader? Do you take into account, for example, the specifics listed by the Quebec government in its own battery development strategy?

**Hon. François-Philippe Champagne:** I do work a lot with Quebec. However, I would like to come back to one thing, because I think the way in which the Investment Canada Act works is misunderstood.

The investigative process and the minister's delegated investigative powers begin on the day we are informed of the transaction, either by notification or by public information. There are a number of stages in this process, but the national security investigation begins on day one. I think there was a reference to another step in the process, which comes later. So I want to explain to Canadians as well as members of the committee that the national security review begins on day one and continues throughout the process.

When we determine that there are reasonable grounds to believe that the transaction could be injurious to national security, we take the process further. As I explained at the outset, it is important to understand how this works, and I would be happy to discuss it with members of the committee.

People do not generally know that the analysis starts from day one, not after 45 days. It even starts as soon as we become aware of a transaction through public information. From that moment, we start our investigation.

• (1800)

**Mr. Sébastien Lemire:** As a result, there may also be a transparency problem.

Do you or do you not support the government being more transparent in this context, and being able to publicly explain the basis on which it made its decision to proceed or not to proceed with a national security review?

**Hon. François-Philippe Champagne:** I'm trying to be as forthright, open and transparent with you as possible, but you have to understand that we have to factor in national security elements, as well as the confidential information that companies provide to us.

The Investment Canada Act framework is very rigid in terms of confidentiality. That's why I'm trying to be as transparent as possible tonight. If you wish, and if the chair of the committee wishes, I can ask the officials to send you the latest annual report in the next few days, which will provide you with even more information on the transactions examined during the last period, as well as on the process. We have made sure to explain it well, so that people understand that the national security review starts from day one, and continues throughout the transaction.

If it will give the members of the committee more information and more insight, I will be happy to do so.

**Mr. Sébastien Lemire:** Thank you for that, Minister.

As you know, the committee has produced a study on the Investment Canada Act. I assume that you are aware of it.

So what recommendations from our report, tabled last spring, have you implemented, or do you plan to implement?

I will read you recommendation 4 from the committee:

That the Government of Canada protect strategic sectors, including, but not limited to: health, the pharmaceutical industry, agri-food, manufacturing, natural resources, and intangibles related to innovation, intellectual property, data and expertise.

That's kind of what the Neo Lithium issue is all about.

**Hon. François-Philippe Champagne:** The new standards that I put in place last March are going in the direction that you want, as the committee recommended.

If there are areas you feel are not sufficiently covered, I will always be open to making additions. The idea is to attract investment to us, because that allows us to grow our companies, but to do so while always protecting national security and having that global vision to protect our supply chains.

I thank the committee for its recommendations. Of course, we always take them into account.

**The Chair:** Thank you, Minister.

Mr. Masse now has the floor for six minutes.

[English]

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

Welcome, Minister, to our committee.

**Hon. François-Philippe Champagne:** It's good to see you.

**Mr. Brian Masse:** It's good to see you as well.

With regard to your opening comments, you mentioned that the act is agnostic as to where the investment is coming from. I want to make sure I'm clear on this. You're saying, then, that if it were an investment from Russia, it wouldn't matter that we might get into some conflict with them over Ukraine. Whatever our current situation with China is, that has no influence whatsoever. There's no political connection. We have Syria and all kinds of different countries out there with different records. This government, as did we, pushed, finally, for the new deal with the United States, to get labour and environment in the agreement.

Are you saying there is no connection whatsoever between the country an investment comes from and the moral and ethical issues of what that nation is doing?

**Hon. François-Philippe Champagne:** Well, I would say, Mr. Masse, you're a very experienced member of Parliament. We look at a number of factors. In the case of Neo Lithium, we looked at the mineral, the location of the operation, and the impact on the supply chain. As a former trade minister and foreign affairs minister, I not only looked at national security under the act, but for those we have listed.... As you may recall, in March I even expanded it to make sure that the world will know that if they intend to invest in Canada, we welcome that, but we will apply enhanced scrutiny, as we did with respect to critical minerals.

I'm very well aware of the geopolitical circumstances, and we are consulting with our allies. You may have seen that, when it comes to supply chains, I have been talking to colleagues in Europe and in the White House to say we should have trusted partners in terms of our supply chain.

• (1805)

**Mr. Brian Masse:** I appreciate that, but I guess this one strikes a bit of a pattern that there is not much of a change. We know Parliament has already spoken about the genocide of Uighurs, and now here we are, back with something that we couldn't even put on pause from a state-owned Chinese company. We still don't have a decision on Huawei.

Why wouldn't this government start putting a stronger lens on human rights and—where there is some support even across political lines on issues—stopping state-owned companies from interfering with Canadian companies or buying them up?

**Hon. François-Philippe Champagne:** Well, Mr. Masse, you would know that when we do an investing in Canada process, it's a quasi-judicial process. In the case of Neo Lithium, I just want to reassure you and all Canadians that we did a review to ensure that there was no national security risk. That is the conclusion that was reached by the different departments involved and our national security intelligence agencies.

To your questions, you can rest assured that I look at these things very seriously. We will never compromise Canada's national security. I'm very well aware of the geopolitical circumstances.

You will recall what I did on China Mobile. You will recall that I did not hesitate a moment to act on TMAC, the mine in Nunavut. I will continue to use all the powers vested in me, as minister under the act, to protect national security and our supply chain in Canada.

**Mr. Brian Masse:** I think, though, that perhaps—and this is where I look at the broader picture on this particular issue—we should have further discussion about those things.

Back in 2015, when your government took office, it did say that it wanted more foreign investments. It did say it would be more transparent in these types of reviews. What's different today from what was in 2015? We understand some of the limitations that can take place, but there was a recognition. I myself have gone through everything from Noranda being taken over by Falconbridge, and Inco. There's a whole series. I could go on and on. What's different now in terms of, specifically, what's publicly available for your decision-making process?

**Hon. François-Philippe Champagne:** Well, there's the very fact that we're here today. As I said, I'm trying to be as open, transparent and candid as possible with you. I think that tonight, because we have a lot of public information, I'm able to discuss the case.

As you know, it's been pretty rare, since the ICA has been in place in Canada, to have a focus on one particular transaction. What I'd offer to the members of the committee is to task the department, to instruct them to release to you the annual report so that you can look at it. We can release it in the next few days. You'll see that we provide as much information as we can under the act.

I'm sure you understand, because you've been in Parliament for a long time, that on the one hand we receive confidential information from the companies, and on the other hand we need to protect national security.

I'm happy to answer any questions and to be as candid as I can under the act.

**Mr. Brian Masse:** I guess this is where the larger struggle is. I don't see the change. I don't see the change from what was promised politically.

Just in moving to these specific minerals, was there an evaluation done at all with regard to...? Even if they're not used in electric vehicles, which I know I focused on, what other types of markets for these were done as part of the evaluation? We've heard from some in the auto sector saying that they're not as important. Others have contested that. What other types of products were looked at for this review?

**Hon. François-Philippe Champagne:** When you look at lithium carbonate, and this is probably a resource for the Asian market, you see that this is really for glaze and for sealers. We're about to build a big battery ecosystem here in Canada. What is preferred by the manufacturers—whether it's the OEMs, whether it's the battery manufacturers, or whether it's the cathode active materials manufacturers—is lithium hydroxide. There are many reasons for that. It's more sustainable and long-lasting, with less recharge.

I can say that carbonate is more for the Asian market. Hydroxide is really what is needed and wanted in North America, Japan and Europe. That was one of the considerations that were part of it, and I think that's what you heard from other experts yesterday.

[Translation]

**The Chair:** Thank you, Minister and Mr. Masse.

It is Mr. Kram's turn now, and he has five minutes at his disposal.

[English]

**Mr. Michael Kram (Regina—Wascana, CPC):** Thank you, Mr. Chair.

Welcome to the committee, Minister Champagne.

**Hon. François-Philippe Champagne:** Thank you, sir. I don't see you.

**Mr. Michael Kram:** I'm in the committee room, Minister.

**Hon. François-Philippe Champagne:** Okay, I see you now. It's good to see you. I'm sorry, sir; I was looking at the screen.

**Mr. Michael Kram:** That's quite all right.

I'll start with an easy question. The United States is Canada's closest neighbour and ally. Would you agree?

**Hon. François-Philippe Champagne:** Indeed. You may have seen that I've even agreed with the Secretary of Commerce to meet on a quarterly basis. I'm very well aware of that. That's what we're pursuing with the commerce department, to align our supply chains.

• (1810)

**Mr. Michael Kram:** Yes, I understand you were in Washington on November 3 to meet with the Secretary of Commerce. The press release your government sent out after that meeting said that you and the secretary agreed to “reinforce existing cooperation under the U.S.-Canada Critical Minerals Action Plan”.

Minister, is your government still committed to the U.S.-Canada critical minerals action plan?

**Hon. François-Philippe Champagne:** Very much. Absolutely.

**Mr. Michael Kram:** Okay. Very good.

It was reported in the media on December 10 that this government would not subject the sale of Neo Lithium to a national security review. So I have to ask, what message does it send to our American partners and allies when you say one thing in Washington one month, and then you turn around and do the opposite in Ottawa the next month?

**Hon. François-Philippe Champagne:** I would disagree with you completely. Neo Lithium was subject to a full national security review in Canada. Not only was it subject to a national security review; it was subject to enhanced security, based on the guidelines I issued last March.

If you'd allow me a few seconds, I just want members to really appreciate that under the act there are not two national security processes. There's only one. It starts from the moment we become aware of a transaction, whether from public information or notification. The national security review starts on day one. It's at that time that we make our assessment. It's a multistep process.

To say otherwise [*Technical difficulty—Editor*] is not in line with the act. The power of the minister to investigate starts on day one. What I would say to my American colleague, if asked, is that we absolutely did a full national security review of Neo Lithium.

**Mr. Michael Kram:** All right.

Minister Champagne, in your opening statement you said that the Investment Canada Act allows, on day one, for security and intelligence agencies to review the transaction, including consultations with Canada's allies. I'm wondering if you could elaborate on what consultations you did with our American allies.

**Hon. François-Philippe Champagne:** I wish I could go into more detail, but what I can say to you and Canadians who are watching tonight is that the process involved all the relevant departments in the Government of Canada but also our national security and intelligence agencies throughout the process.

As you know, I am not at liberty, under the act, to go into the details of a particular transaction, but I can assure you that when we look at supply chains, at a time when we're building a battery ecosystem in Canada, I'm very well aware of the role of lithium, of cobalt, of nickel, of manganese and of graphite. Therefore, you can rest assured that I understand the geopolitical implications of that. That's why we'll never compromise on national security.

**Mr. Michael Kram:** Minister, in your opening statement you indicated that not all critical minerals are the same, or not all are equally critical, if I can summarize it in that way.

**Hon. François-Philippe Champagne:** That's fair enough.

**Mr. Michael Kram:** You seemed to indicate that lithium was less important than others, but a report from the White House from June of last year indicated that lithium and graphite are two of the most important materials for electric vehicle batteries.

I wonder, in our consultations with the Americans, if they also indicated that lithium was not so critical a critical element.

**Hon. François-Philippe Champagne:** What I was referring to...and I'm happy that you asked the question. Lithium carbonate is for the Asian market. Lithium hydroxide, which we're about to produce in Canada, by the way, in two to three years.... We have a company called Nemaska Lithium. It expects to produce 10% of the lithium hydroxide needed in the North American market. Actually, we are working very much to...and I'm working with Minister Wilkinson [*Technical difficulty—Editor*] strategy. We're very much in touch with our American colleagues, because Canada, in my view, could be the supplier of choice.

What you see from the OEMs, the cathode active materials and the others, is that what they want is proximity—proximity of supply, proximity of market, proximity of manufacturing. That's exactly what I'm talking about to our American colleagues: how we can [*Technical difficulty—Editor*] because Canada has deposits, and we will be a producer of lithium in the not-too-distant future. There's a refinery being built as we speak. We'll be online, as they tell me, within two to three years.

**The Chair:** Thank you, Minister. The time is up.

• (1815)

[*Translation*]

Ms. Lapointe, you have five minutes.

**Ms. Viviane Lapointe (Sudbury, Lib.):** Minister, thank you for being here.

**Hon. François-Philippe Champagne:** I'm happy to be here.

**Ms. Viviane Lapointe:** In my riding of Sudbury, there is a proud history of mining. But more importantly, our future in mining is innovative and dedicated to Canada's clean growth mandate.

Can you please tell us how Canada is well positioned to be a leader in the critical minerals market?

**Hon. François-Philippe Champagne:** Thank you for your question.

Canada is well positioned to be a leader because we have all the ingredients needed for production. For example, we have lithium, which is used in the production of batteries. As I mentioned, Quebec has several mines. One of them is the Nemaska Lithium mine, whose refinery will be completed soon, in two or three years. Canada is also a major producer of class 1 nickel, which is essential for battery production. There is also cobalt in Ontario. As I told my colleagues, the only cobalt refinery in North America is in Cobalt, Ontario. In my opinion, this contributes to the fact that Canada is in a position to be a world champion in critical minerals for the battery industry. In Canada, there are also manganese and graphite mines. In Quebec, there are graphite reserves.

With different stakeholders, I am trying to develop a strategy that would go from the mine to the recycling plan.

As we're seeing more and more, the big clients, the European and North American manufacturers, want more diversity in the supply chain. They want supply chains that are closer to them. Canada has the ability to produce responsibly. In terms of the environment, that translates into security of supply, traceability and the fact that Canada is a reliable partner.

My colleagues and I are building an entire ecosystem to produce batteries in Canada. Our strategy ranges from mining to recycling. In fact, over the next few months—at least, I hope so—we'll be making some great announcements that will make our vision a reality: that Canada can be one of the great battery producers in North America.

**Ms. Viviane Lapointe:** Thank you.

Why would North American and European electric vehicle manufacturers prefer Canada?

**Hon. François-Philippe Champagne:** I would say that [*Technical difficulty—Editor*] is proximity. More and more, we're seeing that the big manufacturers want refineries and mines to be close to markets and manufacturing centres like Windsor and Detroit [*Technical difficulty—Editor*].

[*English*]

**Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC):** I have a point of order, Mr. Chair.

**The Chair:** Yes, Mr. Généreux.

[*Translation*]

**Mr. Bernard Généreux:** We cannot hear some parts of the minister's answers. I don't know if it's a connection problem or if his microphone is poorly placed, but, unfortunately, we don't always hear his answers.

**Hon. François-Philippe Champagne:** I apologize, Mr. Généreux. I am not on the Internet, and my computer is wired.

If you wish, I can repeat what I said.

**The Chair:** Minister, I will check with the clerk to see if your microphone is properly positioned.

Mr. Généreux, the minister will resume speaking. If this happens again, please let me know. I have stopped the clock.

I'm told that there was a small problem with the Internet connection for a brief moment.

You may proceed, Minister.

**Hon. François-Philippe Champagne:** Thank you, Mr. Généreux. If my connection is the problem, I apologize. However, as I told you, we did everything we could to have a good connection.

As I was telling you, it doesn't make much sense to mine minerals in Africa, refine them in Asia and produce batteries using coal.

So I think consumers, clients, banks and investors will want not just electric vehicles, but “green” vehicles. I think Quebec and Canada are well positioned to play a key role in the whole battery industry in North America.

**Ms. Viviane Lapointe:** Thank you.

I am very happy with your answers because, yesterday, during their testimony, Mr. Volpe and Mr. Tsafos stressed the importance of local production for [*inaudible*]. They also talked about the fact that the whole value chain must be considered. So I am very happy to hear you emphasize those aspects this evening.

• (1820)

**Hon. François-Philippe Champagne:** That's nice of you to say. We will do it together and with our American and European partners. I am in contact with the executives of mining companies, of chemical transformation companies, of companies that could assemble batteries and, of course, with manufacturers. I think this was mentioned in Mr. Volpe's testimony.

That is why, in the beginning, I really distinguished between lithium carbonate and lithium hydroxide, as manufacturers in Europe, in North America and in Japan want to obtain lithium hydroxide. Lithium carbonate is intended for the Asian market. This works out well because we have lithium hydroxide in Quebec and in Canada. That is why I was talking about the company Nemaska Lithium, for instance, which will be one of the key links of this lithium supply chain in North America.

**The Chair:** Thank you very much, minister and Ms. Lapointe.

Mr. Lemire now has the floor for two and a half minutes.

**Mr. Sébastien Lemire:** Thank you, Mr. Chair.

Minister, in your mandate letter, you are asked to implement a Canadian critical minerals strategy, from exploration to the protection of clean technologies.

Is Canada preparing a national strategy or an Americas strategy related to a plan developed jointly with the United States?

**Hon. François-Philippe Champagne:** Mr. Lemire, I can reassure you regarding a national strategy. As I said earlier, I maintain regular contact with the United States Secretary of Commerce. I have been told that this is the first time in history a Canadian minister of industry and a U.S. secretary of commerce have agreed to meet on a quarterly basis. Of course, our discussions pertain to the battery ecosystem, the semiconductor ecosystem and everything we have needed to deal with the pandemic.

Mr. Lemire, I am currently building, with our European and North American partners, more resilient supply chains to plan out the next 20 or 30 years. Our American colleagues definitely view Canada as part of the solution. That is why we will continue these discussions with our partners. We have our own strategy, but we will obviously continue to coordinate.

For instance, the battery market and the automotive market are North American markets. We want to build this market in collaboration with a number of Quebec businesses, including Nemaska Lithium and other Quebec industries. That way, we will be able to play [*technical difficulties*] key elements to have a local battery ecosystem.

**Mr. Sébastien Lemire:** I participated in your colleague Minister Ng's mission to Washington on this issue. I can tell you that the context surrounding the Build Back Better Act still makes us nervous about the situation and about the Americans' real will to collaborate.

That said, the value and the money are essentially in the final and commercial product, such as the purchase of electric vehicles. In the plan you developed jointly with the United States, what is the positioning of the value chain of lithium mines, especially those in Abitibi-Témiscamingue? Can processing be ensured close to the resource?

There was the example of the town of Cobalt, which is located in the riding between [*technical difficulties*]. It's not enough to mine minerals; we must be able to develop our regions and occupy our land.

**Hon. François-Philippe Champagne:** I completely agree with you. Nemaska Lithium is a good example, as the mine is located in northern Quebec, and the refining takes place in Bécancour. You will see that we are building an ecosystem.

Projects will be implemented. I cannot tell you everything this evening, but what I can tell you, Mr. Lemire, is that we will soon have projects to announce. We want to build the entire ecosystem to do as much of the process as possible locally, of course. We don't want to settle for mining the minerals, as you say. We want to refine them and assemble batteries here in Canada to become an important partner in the North American battery industry.

**The Chair:** Thank you, minister.

Mr. Masse now has the floor for two and a half minutes.

[*English*]

**Mr. Brian Masse:** Thank you, Mr. Chair.

Minister, one of the things [*Technical difficulty—Editor*] is just getting its clock cleaned when it comes to auto investment. I mean, there has been some investment. We heard, again, the \$6-billion figure, but just the other day General Motors announced another battery facility in Michigan and also another plant expansion, which eclipse the entire investment in Canada over the last number of years. I've been pushing for a national auto strategy. Do you not think it's time for a national auto strategy? We are losing our percentage of OEMs. We no longer even have Canadian CEOs based in Canada.

What assurances can you give, outside of this particular situation, if it wasn't valuable enough for the auto sector, that we actually aren't going to have rip-and-ship or become a branch plant for just parts assembly from the United States?

**Hon. François-Philippe Champagne:** Listen, I want Canada to be a leading supplier of sustainable and responsible battery materials, because I know that this will anchor our auto sector in Canada. As you know, the OEMs are focusing on proximity, on sustainability, and I think that's one of the big competitive advantages of Canada.

I can assure you that I'm in touch with the CEOs. We're trying to build a full ecosystem, from mines to recycling, which is a fairly complex ecosystem to put together. It implies that you have the mining company; you have what we call the CAM manufacturers, of cathode active materials; you have the battery assembly plant; and you have the OEM. I can tell you that I speak to the CEOs of these companies if not daily, then weekly, to make sure we land that. I appreciate that it's very competitive. That's why I hope we'll be able to announce that and work together. I know—

• (1825)

**Mr. Brian Masse:** I'm sorry to cut you off. I only have a....

Why not go back to CAPC? It isn't functioning like it used to. There are some very good people there. There are some good ideas. This government even paid Ray Tanguay to develop a plan and bring a Canadian national auto strategy where we actually benchmark our plant development, our jobs and our investments, and rate ourselves on that.

Why not bring that back to CAPC and tell them to develop for you a Canadian national auto strategy?

**Hon. François-Philippe Champagne:** Well, I'm always happy to see...and as I said, we're going to have a national critical minerals strategy. We are in touch with the auto manufacturers, the parts manufacturers, and we've been working a lot to make sure we can land that. Time is of the essence.

You'll appreciate, Mr. Masse, that I work every day to make sure we land that. Decisions made now will have impacts for generations to come. That's why I'm so keen to land the battery ecosystem, because that's anchoring our auto sector in Canada. I'm like you; I want more mandates. I think if we work together, we're going to land some of them.

[*Translation*]

**The Chair:** Thank you, minister.

I know that you have to leave at 6:30 p.m., and I believe we have time for one last question and answer period.

Mr. G n reux has five minutes.

**Mr. Bernard G n reux:** Good evening, minister. Thank you for joining us.

I will try to be brief and would also ask you to give brief answers, if possible. I will give you an opportunity to be even more transparent than you were earlier with my colleague.

Unless I am mistaken, you were appointed minister on October 26. The transaction was announced on October 12, or that is at least when a potential transaction was announced. When were you informed of that transaction?

**Hon. François-Philippe Champagne:** Mr. G n reux, I am happy to see you.

As you know, I am legally prohibited from discussing the details of the transaction.

That said, I can tell you that, under the new guidelines I issued in March, the transaction was subject not only to a national security review, but also to a process in which we undertake an additional review to ensure that the transaction would not impact Canada's national security.

**Mr. Bernard G n reux:** Will the Canadian Minister of Innovation, Science and Industry have the last say, just as the Minister of International Trade, Export Promotion, Small Business and Economic Development will have the last say when it comes to transactions taking place in her department?

**Hon. François-Philippe Champagne:** The national security review is first carried out by various departments of the Government of Canada—

**Mr. Bernard G n reux:** Do you sign off on transactions like this one?

**Hon. François-Philippe Champagne:** This is a process—

**Mr. Bernard G n reux:** Do you sign off on transactions like this one?

**The Chair:** Mr. G n reux, please let the minister finish talking.

**Hon. François-Philippe Champagne:** Mr. G n reux, this is a well-established process where I work closely with department officials and national security employees to ensure that each of those transactions is subject to a review.

In the case of critical minerals, transactions are subject to the new regime we implemented last March that calls for an additional review to ensure that the proposed transactions do not undermine Canada's national security.

**Mr. Bernard G n reux:** In the case of transactions with companies funded by public entities like China or companies that are their property, as in this case, does the Prime Minister's office participate in those decisions?

**Hon. François-Philippe Champagne:** Under the act, the minister of innovation is responsible for enforcing the Investment Canada Act.

You talked about state-owned enterprises. If you look at item 7 of the new guidelines, which came into force last March, you will see that all those transactions, regardless of the amount, are subject to the additional review.

**Mr. Bernard G n reux:** Why weren't the additional 45 days used to verify this transaction?

You are essentially saying that Canadian-owned lithium in Argentina was not the right kind, as that lithium does not meet Canada's needs. However, a Chinese company decided to purchase the lithium for \$1 billion. Of course, the purchase includes technological equipment, among other things. China is interested in that, but Canada is not.

I can understand that the lithium used varies from one location to another, but why is Canada giving a business owned by the Chinese state an opportunity to compete with it? Although the lithium is in Argentina, China will transport the mineral back home to process it. It will then sell us batteries. China actually already sells a lot of batteries to us. This is clearly a good move for China.

Why isn't that the case for Canada, given the national security in terms of supply and, as my colleague said, in terms of the relationship between Canada and the United States?

• (1830)

**Hon. François-Philippe Champagne:** Mr. Généreux, I said so already and I am happy to repeat that the Neo Lithium transaction has been reviewed. We ensured that it had no impact on national security. What is more, the transaction was subject to the additional process I implemented last March.

The element that those who are listening to us must understand is that the minister can begin investigating as soon as we become aware of a transaction, which may be well before the department is notified of the transaction. Under the act, the minister has the authority to investigate, to request the production of documents and to put questions to the company as soon as public information reaches us.

I know that you are concerned about the time. What I am saying is that the legislation allows us to investigate even before a notification is issued. There is only one national security analysis process and not two. It begins on the first day and consists of a number of steps.

When we conclude that the transaction poses no threat to national security, we terminate the investigation. We also receive recommendations from the country's national security agencies.

**Mr. Bernard Généreux:** When the Prime Minister—

**The Chair:** Thank you, minister.

Mr. Généreux, your time is unfortunately up.

Minister, I know you will have to leave the meeting. It is now nearly 6:30 p.m.

**Hon. François-Philippe Champagne:** I don't know whether I took an extra five minutes in the beginning, but—

I will let you decide, Mr. Chair.

**The Chair:** We have one more question left before the end of the second round. If you can stay for another five minutes—

**Hon. François-Philippe Champagne:** What we are discussing this evening is important, and I want to make sure to answer my colleagues' questions. So I am prepared to stay a bit longer.

**The Chair:** Okay. Thank you, minister.

Mr. Gaheer, go ahead for five minutes.

[*English*]

**Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.):** Hi, Minister, and thank you for making time for us today.

**Hon. François-Philippe Champagne:** Good evening. It's good to see you.

**Mr. Iqwinder Gaheer:** It's nice to see you as well.

My question is, what's the government's track record when it comes to reviewing ICA cases? Are there examples you can give where a foreign takeover in the mining sector was rejected on national security grounds?

**Hon. François-Philippe Champagne:** I'm happy you asked the question, because one thing I can say is that we did four times as many reviews as the previous government, and we blocked twice as many transactions as the previous government. I think we should take no lessons from the Conservatives when it comes to national security. That's going to be abundantly clear with the annual report that we're going to be submitting.

Listen, I'm happy you asked the question, because not only did I issue in March the new security guidelines when it comes to foreign investment, but I'm the minister who issued the new framework on security when it comes to research in our universities and colleges.

We blocked the transaction, as you may recall, for TMAC in Nunavut, which was the subject of a foreign takeover. We took the proper time, as in the case of Neo Lithium, to review the transaction, and we decided, on the basis of national security, to block it. More recently, you may have seen that, through the Governor in Council, I have ordered China Mobile to divest all its assets in Canada.

Canadians who are watching us tonight can understand that our track record speaks for itself. National security is paramount in our decisions. This was the case with Neo Lithium. Again, to repeat, to be absolutely clear, Neo Lithium was reviewed on a national security basis and was even subjected to the enhanced scrutiny that is called for under the guidelines I've issued, to make sure that this would not be injurious to Canada's national security.

**Mr. Iqwinder Gaheer:** That's great. Thank you.

I feel as though there's a need to balance economic interests and national security considerations. What assessments happen behind the scenes to balance economic interests and national security interests? What's the thought process behind doing that?

**Hon. François-Philippe Champagne:** On the one hand, we want foreign investment in Canada. It's good. We've seen a number of companies that have been able to grow because we have had foreign investment in the country. On the other hand, we want to make sure we tell the world and the investors that we will protect our national security.

That's what you've seen with the new guidelines that I published in March. They're very specific. They tell the world explicitly that for a foreign company trying to invest in any of these sectors, not only will we do the national security review, which is a multistep process, as I've explained many times, but the transaction will be subject to enhanced scrutiny. That includes state-owned enterprises, and it includes investment when it comes to critical minerals.

It's something that I think is very important, because, yes, we are open for business, but everyone in the world should know that when it comes to critical minerals, personal data, or sensitive technologies, we will always protect national security. We have never hesitated. I have full trust in our National Security and Intelligence Review Agency. They're doing great work. They're the ones who advised us with respect to lithium and all the other transactions, but it's a quasi-judicial process, so we need to apply legal standards when we do that. That's what we did, and that's what we will continue to do.

• (1835)

**Mr. Iqwinder Gaheer:** That's great. Thank you.

[Translation]

**The Chair:** Thank you very much, Mr. Gaheer. I understand that you have no further questions.

Minister, this concludes the second round of questions we had for you.

We will spend the second hour with officials from various departments.

Thank you for joining us, minister.

**Hon. François-Philippe Champagne:** Thank you, Mr. Chair.

Esteemed colleagues, I will have the pleasure of seeing you next week.

[English]

Thanks for having me at the committee, Mr. Chair.

**The Chair:** Thank you.

We're now going to Mrs. Gray for five minutes.

**Mrs. Tracy Gray (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair.

Thank you to the officials for being here today. I'll leave it up to you to decide who would be best to answer my questions today.

When determining whether an enhanced security review of these types of transactions would take place when a corporation is acquired by a state-owned enterprise, are you or your departments instructed by the government to provide analysis of potential intellectual property being transferred?

**Mr. Simon Kennedy (Deputy Minister, Department of Industry):** Thank you, Mr. Chair.

I'm Simon Kennedy, the deputy at the Department of Innovation, Science and Economic Development. We administer the process, so I can field some of the questions.

Yes, absolutely, intellectual property considerations are certainly something that does get looked at pretty carefully, depending on the transaction and the nature of the transaction. Obviously a transfer of IP can be very sensitive. There could be security implications. That is something that is part and parcel of the work we do and our dealings with our colleagues in the security community.

**Mrs. Tracy Gray:** Thank you.

In these types of transactions, are you or your departments instructed by the federal government to analyze major shareholders of a corporation being acquired with respect to security implications? What would the analysis of those major shareholders look like with regard to potential connections to foreign state-owned enterprises?

**Mr. Simon Kennedy:** Mr. Chair, I would say that when we do these reviews, we are interested in any and all aspects that could pose a potential threat to Canada's national security.

If you look at the threshold in the legislation for going to the Governor in Council-mandated step, it is that something could pose a risk to national security. It's not "would"; it's "could". We're interested in anything that could pose a potential risk, and that could include individuals associated with an organization or issues around corporate governance. It's not like there's a short list and anything that's not on the list doesn't get looked at. We're actually interested in any and all possible threats, and if something that looks problematic is detected, we zoom in on it.

**Mrs. Tracy Gray:** That's great. Thank you very much.

In the acquisition of companies by state-owned enterprises, have your departments been instructed by the federal government to provide analysis on potential effects to the critical mineral supply chains of Canada that might be affected as part of this deal?

**Mr. Simon Kennedy:** What I would say, just briefly, if I could, is that critical minerals are one of the areas that we look at very carefully, for all the reasons the minister has already enumerated, such as their importance and so on.

In addition, as is laid out in the guidelines that accompany the act, we also take special care when state-owned enterprises are involved. Whether a state-owned enterprise is involved with a critical mineral asset or whether they're involved in something completely different, that's also an area we look at, and the guidelines lay out the reasons why that's the case.

For example, there are some state-owned enterprises that can act in ways that are not economic, and if they were operating a business in Canada in ways that were not really market-driven, it might be distortionary. It might not be efficient and it might cause all kinds of problems. That would be one example, but we certainly look at both the SOE dimension of investments and the critical minerals dimension.

• (1840)

**Mrs. Tracy Gray:** Great. Thank you.

Would you say that some of the enhanced measures have made a difference? How would that analysis be different?

**Mr. Simon Kennedy:** I would certainly say there's a variety of ways it has made a difference. I can enumerate a couple of them quickly; I don't want to take too much time. Certainly there is a professional bar. There are law firms and advisers who advise potential investors looking to buy Canadian companies, and the fact that we have these policies around enhanced review and that we've published them means that, when investors come, they know they can expect to get a deeper analysis. That would be one example.

Another would be that it gives us some guidance on areas where we want to drill down and maybe put additional attention in a review.

The last would be—which the minister noted and which will be in our annual report coming out soon—the sheer tempo in terms of the number of national security reviews that have been done. The number of blocks has certainly risen quite dramatically in the last couple of years relative to the historical baseline. There's just more activity going on, in terms of deeper and more frequent reviews in this space, than there might have been in the past.

**Mrs. Tracy Gray:** Thank you for that.

Do you have certain metrics or a rubric that you're using?

**The Chair:** Mrs. Gray, I'm sorry, but you have only five seconds left. We'll have to move on to our next questioner.

Mr. Fillmore, go ahead for five minutes.

**Mr. Andy Fillmore (Halifax, Lib.):** Thank you, Chair.

Thank you very much to the officials who are here. Thank you for your hard work and your service. I know that every member of this committee is very grateful to you for your work.

I'll start by directing this question to Mr. Kennedy, but if any of the other panellists hear something they would like to respond to, I encourage them to follow up. I would appreciate it very much.

We heard in testimony at yesterday's committee meeting that acquiring raw materials from overseas isn't really the issue, but rather the issue is that China dominates the market for processing the minerals, the materials, and for the production of batteries. I wonder if you could talk to us a little bit about how Canada is developing its own processing and manufacturing capacity. Let's bring it back to the auto industry for a moment. Why is that important to our domestic auto industry?

**Mr. Simon Kennedy:** I could speak briefly and then maybe turn to Mr. Labonté from NRCan, whose ministry is doing a lot of work in this space.

I can certainly say, as the deputy minister at ISED, that we have extensive work under way, including with our colleagues at Natural Resources Canada, on the mines to mobility strategy. There is frankly a full-court press to try to support the Canadian industry in shifting towards battery electric vehicle production. Part and parcel of that is to work to bring the battery supply chain and all of the various components to Canada. We're in active discussions with

mining companies, cathode active material manufacturers, battery assembly players and parties who are interested in building gigafactories in Canada to support the assembly operations that are here. There's a very extensive package of work going on right now to build out the Canadian mining, processing and battery production supply chain.

I can turn to Mr. Labonté. He may wish to add some expert advice from NRCan.

**Mr. Jeff Labonté (Assistant Deputy Minister, Lands and Minerals Sector, Department of Natural Resources):** Thank you very much.

It's a good question around the processing. When we look at the minerals that come out of the ground and from source, obviously they're not in a form that can be used for things like battery manufacturing or the production of silicon panels, or anything of that nature. We do have a fairly sophisticated processing capacity in Canada. There are 27 different mineral-processing facilities across the country.

One of the issues is of course supply and demand. For example, there are no large-scale battery cell manufacturing companies in Canada yet. The demand for the processed materials that go into them is following where that demand exists, and that demand today is in China and growing everywhere. As Deputy Kennedy said, Canada is growing its importance in bringing in partners and bringing in companies such that those two things will fit together.

The other issue is that processing minerals is very unique in many different ways, and there is of course research and development. In the last budget of 2021, there was about \$50 million allocated to NRCan to upscale and do more research and to support research on the processing side to get ahead and continue to develop the ability for Canada to be in a position to continue to develop its processing capabilities.

• (1845)

**Mr. Andy Fillmore:** Okay. Thank you.

Let's stick with the batteries themselves and battery production for a moment here. It strikes me that for a country as large as Canada, longer-range, more energy-dense and more lightweight batteries are going to be needed to help us transition away from fossil fuels.

I wonder if you could talk a bit about how Canada's critical mineral supply is going to help us achieve that, and how the government is going to help Canada's mineral supply achieve that. As a planner, I'll just say that I would love to hear if there are any connections you'd care to draw between those energy-dense batteries and electrified public transit or electrified active transportation.

**Mr. Simon Kennedy:** Mr. Chair, I would say that certainly in our discussions with both the automotive OEMs and the battery supply chain players it's quite clear that quality energy density, the ability of the battery to actually supply that level of power, is a critical consideration.

Perhaps Mr. Labonté could speak with a bit more authority on some of the details around lithium and the different kinds of minerals that go into the battery production, but our experience in talking to the companies is that they're looking to build a higher-end supply chain here for the auto industry.

[*Translation*]

**The Chair:** Time is unfortunately up. You may have an opportunity to continue your answer later on.

Mr. Lemire, you have two and a half minutes.

**Mr. Sébastien Lemire:** Thank you, Mr. Chair.

I think Mr. Kennedy will be able to answer my question, but anyone else who wants to answer it can go ahead.

Minister Champagne said that, in March 2021, he reviewed the Investment Canada Act review process guidelines and that he added an additional process.

Do those guidelines and that additional process enable you to assure us that the Chinese company involved in this transaction has not managed to get its hands on expertise and intellectual property?

**Mr. Simon Kennedy:** I can assure you that we definitely conduct a more stringent review when the business in question is involved in an industry like this one. If we conclude that there is no problem or threat, we do not ask cabinet to undertake a broader review.

In this case, officials and experts from various departments concluded that there was no problem. That is why the transaction was permitted.

**Mr. Sébastien Lemire:** You talked about a more thorough analysis. If the acquiring company is from China or is a state-owned enterprise, does that trigger a more thorough analysis process or does it not change anything?

**Mr. Simon Kennedy:** When it comes to state-owned enterprises—be they Chinese, Russian, Middle Eastern, or other—that is an important factor in our review.

In fact, some state-owned enterprises have more commercial goals. We know that the trend is reversed in certain countries, meaning that the companies are a tool used by the state to advance its objectives. That is certainly part of our review. If a government agency is involved, that is an indication for us to carry out a more thorough review.

**Mr. Sébastien Lemire:** Did the minister try to determine whether there were transactions involving the buying and selling of shares, stock option obligations and the exercise of those options by insiders? Was information requested about the consequences of this transaction?

**Mr. Simon Kennedy:** As I told your colleague earlier, we examine any facts that lead us to believe there may be an issue in terms of national security.

I cannot give you specific details related to your question, but I can say that we definitely examine anything indicative of a problem. That includes shareholder situations, for example.

**The Chair:** Thank you Mr. Kennedy and Mr. Lemire.

Mr. Masse, you have two and a half minutes.

[*English*]

**Mr. Brian Masse:** Thank you, Mr. Chair.

Thank you to our guests for being here tonight.

With regard to the current departments that are consulted, is there a mandate to go through every single department and check in on that? For example, I'm also on the international trade committee, and we'll be looking at how Canada is looking at other trade options in Asia, partly to create less dependency on China. Are those types of discussions and analyses taking place with regard to what could be at stake?

● (1850)

**Mr. Simon Kennedy:** Mr. Chair, I would say that there's a fairly systematic and rigorous process to engage the town, as folks in Ottawa would know, but obviously, depending on the transaction, there will be some ministries that will be potentially a lot more implicated. There's a table of assistant deputy ministers who meet regularly to discuss reviews, and we obviously engage with and rely very heavily on our security and intelligence community as well, so the answer to Mr. Masse's question would be, in general, "yes". We don't just say "Okay, we're going to talk to only this department for this transaction." There is a broader table at which these issues are ventilated.

**Mr. Brian Masse:** Would that process be impacted by current events? Is that part of the process? I appreciate your answer to the previous question, but would current events be part of that assessment? I suppose they would, but I don't want to just assume that.

**Mr. Simon Kennedy:** I would say that current events are absolutely very much part and parcel of our work, and I can give you a very concrete example. Maybe it's obvious, but when the pandemic hit, it became immediately apparent that there was growing interest, and not always positive interest, in medical supplies, vaccines and those sorts of things. That was one of the reasons the government promulgated new guidance. There were actually changes to the law in relation to temporary COVID measures to give us additional time to review transactions, because we were actually concerned—

**Mr. Brian Masse:** I'm sorry, but I have only two minutes. I have a really quick question of importance that I want to get to you.

EV production hasn't started in Canada. Other countries are way ahead of us. How do we get ahead? What do we do to stop this poor trend?

**Mr. Simon Kennedy:** For what it's worth, as the senior civil servant at the Department of Innovation, Science and Economic Development, I must say I'm feeling quite bullish about Canada's prospects. There's intense work going on now with the OEMs, with the parts sector, with all of the various players in the battery supply chain, as I described earlier. Obviously the proof will be in the results, but I think we have real cause for optimism. There are advanced discussions going on in a whole variety of areas, and I'm very hopeful that we'll see some results.

**The Chair:** Thank you, Mr. Kennedy.

We'll move now to Mr. Fast for five minutes.

**Hon. Ed Fast:** Hello, Mr. Kennedy. It's nice to see you again.

**Mr. Simon Kennedy:** It's nice to see you, sir.

**Hon. Ed Fast:** Listen, I still want to get into the process of making a decision on national security.

The minister has asked us to take his word that in fact an enhanced security review was conducted, but in fact he didn't provide any details on it. Deputy, I'm not asking you to get into any of the details of this particular transaction, but more broadly speaking, when a state-owned enterprise is buying out a Canadian company and attracts the enhanced review, would you normally consult with the Minister of Public Safety?

**Mr. Simon Kennedy:** It is normal for us to consult with our security and intelligence partners in any national security review, whether that's the scrutiny we're providing prior to the formal triggering of this cabinet process or afterward. Those are key partners for us. CSIS, CSE, and the various players in the security and intelligence community are normally the partners we work with quite regularly.

**Hon. Ed Fast:** What about the national security advisor to the Prime Minister?

**Mr. Simon Kennedy:** Certainly when we have reviews that go through the Governor in Council process, for example, that would be standard, because those are reviews that are going through a cabinet process. As part and parcel of that, the national security advisor would be engaged because the Prime Minister is the chair of the cabinet.

**Hon. Ed Fast:** Would you consult with our allies, specifically the United States?

• (1855)

**Mr. Simon Kennedy:** Certainly consultation and discussion with allies is not at all unusual. I think the answer in general is that yes, that could certainly be part and parcel of discussions we have.

**Hon. Ed Fast:** Did all of those consultations take place in this particular transaction?

**Mr. Simon Kennedy:** It's very difficult for me to enumerate specific details of exactly who we talked to and when.

I certainly appreciate the member's question. The ICA, as members will know, has extraordinarily strict provisions regarding what I can and can't disclose about specific transactions. What I can say is that this transaction underwent a very thorough review involving our colleagues in the security agencies and certainly involving ex-

perts in the domain, and the result is the one that we're all obviously talking about here today.

**Hon. Ed Fast:** Okay.

Did I hear you say that in fact this review did involve our allies?

**Mr. Simon Kennedy:** I'm sort of saying what I said before, which is that we work with our colleagues in Ottawa, but I'm not really in a position to publicly discuss discussions with foreign governments and whether they did or did not happen—

**Hon. Ed Fast:** I mention that because—

**Mr. Simon Kennedy:** —but I can say, Mr. Fast, that it would not be unusual for that to be part of the discussions we would have when we're looking at very sensitive transactions.

**Hon. Ed Fast:** I hope that's the case, because a tweet has already come out from an American congressman asking whether in fact the Biden administration was consulted on this transaction.

Let me talk very quickly about batteries. We talked about the capacity to build EVs and batteries in Canada. If we had a lithium battery plant ready to go in Canada today, would we have the lithium in Canada to be able to supply that factory?

**Mr. Simon Kennedy:** We don't currently have production of lithium in Canada. We certainly have significant deposits. As I noted earlier, in the discussions we are having with proponents in the battery supply chain, there are certainly active discussions going on at all parts of the chain, including mining and processing.

My colleagues at NRCan could maybe offer more detail, if necessary.

**Hon. Ed Fast:** Why would we allow a Canadian company to be disposed of to a Chinese state-owned company that is actually producing lithium that is of battery grade? I'm going to challenge the minister on that.

There's lots of evidence at this table and elsewhere that in fact this mine is producing, or will produce, battery-grade lithium, and yet here we have the government approving the sale of a Canadian company that has access to battery-grade lithium to a Chinese state-owned enterprise. Can you explain that?

**Mr. Simon Kennedy:** I would maybe reiterate that the advice and the decisions that are made through this process look at the facts on the ground in individual specific cases. The question that would be asked here would be, is this particular deposit in this particular part of the world, given all of the circumstances, relevant and of value? Is it something that would ever be exploited by the North American supply chain? The conclusion, the answer to that question, was no. This was not of strategic value to the North American supply chain.

Many experts can comment on this, but as has already been noted, there are different kinds of lithium deposits. They require different sorts of processing. There are transport costs. There's the distance to the market. There's the issue of...

Oh, I see I got the red card, Mr. Chair. Thank you.

**The Chair:** Yes. Thank you, Mr. Kennedy. The time is up.

I'll move now to Madame Lapointe for five minutes.

[*Translation*]

**Ms. Viviane Lapointe:** Thank you, Mr. Chair.

[*English*]

Mr. Labonté, as you know, Canada released a list of critical minerals last March. The critical minerals list was created in collaboration with exploration, mining and manufacturing industries and through extensive consultation with the provinces and territories over a period of several months. The list certainly provides greater certainty and predictability to industry, trading partners and investors about what Canada has to offer.

For example, Canada is the only western nation that has an abundance of cobalt, graphite, lithium and nickel, metals that are essential in creating the batteries for electric vehicles of the future. Of course, minerals that can be produced in Canada are essential to domestic industry and security and have the potential to support secure and resilient supply chains to meet global demands.

Can you tell us more about the essential mining strategy that the government is currently developing?

**Mr. Jeff Labonté:** Thanks very much for the question. I appreciate the chance to talk about it.

You are correct that the Government of Canada published a list of the 31 different critical minerals that are the most important. As you pointed out, that list was compiled through fairly extensive consultation and analysis. The things that were being looked at for that list were really in relation to their importance to our economic security and the need for Canada to have these critical minerals for the transition of our economy to the economy of the future and a low-carbon economy. They were also things that would be important to potential partners and sustainability activities.

In looking at the list, we established minerals that Canada has as an endowment, minerals that exist in our landscape. Those minerals have the potential to be developed or are already being developed, depending on the nature of that particular material.

Doing so was a way of convening an understanding among the minerals community or the investment community and among the downstream or manufacturing community of where materials and minerals would come from. It was also to rally an understanding of where the direction would be going vis-à-vis the importance of these minerals for the economy, as well as working to grow an understanding of how minerals are developed. That is an important part, because the minerals themselves are one thing, but how they are developed, the partnerships that are involved and the regulatory standards are another. Protection of the environment to the highest standards possible and to the highest standard necessary is part of the way that Canada sees itself and part of the way that Canada presents itself globally.

Canadian mining companies operate in 100 countries around the world and have over \$200 billion worth of assets that are part and parcel of their ecosystem. Similarly, there are over \$300 billion

worth of assets in Canada in our mineral resources. There are some 1,400 different companies operating, developing, prospecting and working through those resources.

• (1900)

**Ms. Viviane Lapointe:** Specifically with regard to lithium, what is your assessment of the current state of our domestic industry?

**Mr. Jeff Labonté:** That's a good question. Canada's fortunate in that there are 20 different lithium projects active in Canada, spread across Alberta, Saskatchewan, Manitoba, Ontario and Quebec.

Canada has two different types of lithium resources. We have lithium brine resources, which are similar to the resources that are found in brine water or liquid sources. The lithium is produced by ventilating, drying and evaporating those resources, and the lithium is what's left over. That lithium is most commonly the lithium that finds its way into the lithium carbonate processing services through the way that it's produced.

The second type of lithium comes from lithium hardrock, which is a hardrock ore body that contains lithium. It is mined, and then the ore body is processed to separate the lithium, which is more predominantly put into lithium hydroxide. It's possible to go either way. Brine can produce hydroxide and the hardrock may be able to produce lithium carbonate. However, the energy cost, the cost of transporting the ore body and the cost of processing that body make it more efficient to do otherwise.

We have 20 different projects active in Canada. The most active ones that are nearer to coming to market are in Quebec, where the mining community has already developed lithium resources. Other active projects are under way in Alberta on the lithium brine side, and in Saskatchewan.

**Ms. Viviane Lapointe:** Thank you.

[*Translation*]

**The Chair:** Thank you Mr. Labonté and Ms. Lapointe.

Mr. Kram now has the floor for five minutes.

[*English*]

**Mr. Michael Kram:** Thank you very much, Mr. Chair, and thank you to all of the witnesses for joining us this evening.

I would like to talk a bit about the way CSIS conducts its intelligence assessments.

I would like to give a bit of background regarding the net assessment practice. I'm referring to a practice that originated in the United States for the strategic analysis of threats. This practice originated some 40 years ago and is still practised today in the United States. It involves considering a threat from multiple perspectives, including ways in which it could enhance the strategic advantage of a competitor or adversary.

I was wondering if the witnesses from CSIS could expand a bit on whether CSIS conducts intelligence assessments in this way.

**Ms. Cherie Henderson (Assistant Director, Requirements, Canadian Security Intelligence Service):** Thank you very much for the question. I'm pleased to answer it.

At the service, as an investigative body, we go out looking for any intelligence that can support an assessment or basically answer the question as to whether there is a national security threat we could potentially be facing. We go out to numerous sources and we gather as much information as we possibly can, so that we can get the most comprehensive picture in order to answer the question. We then do a full assessment looking at all different aspects, and from that assessment we provide our advice to government.

• (1905)

**Mr. Michael Kram:** My next question is for Mr. Kennedy.

Did you provide a final recommendation to the minister on this transaction?

**Mr. Simon Kennedy:** We do many reviews per year. When it comes to ones that are found to be sensitive or when there's some issue, certainly the minister is kept abreast of those and engaged as a matter of course.

That's what I would offer at this point.

**Mr. Michael Kram:** Mr. Kennedy, in your opinion, was this transaction particularly sensitive?

**Mr. Simon Kennedy:** Because it involved critical minerals and because of the involvement of a state-owned enterprise, it would certainly be one that would be on the list or that would rise to the level of not being ordinary.

To elaborate a little bit, if you look at the number of transactions that we reviewed last year, you'll see that it was into the hundreds. It was 800-and-something. The year before that it was 1,000. There's a relatively smaller number that would be sufficiently interesting to cause us to be talking about them to the government or that would indeed go to the cabinet.

**Mr. Michael Kram:** Was this particular transaction interesting enough to be brought to the attention of the minister?

**Mr. Simon Kennedy:** Yes, absolutely. This is something that we would have kept the minister apprised of.

**Mr. Michael Kram:** When did you first inform the minister about the details of this transaction?

**Mr. Simon Kennedy:** I would reiterate what the minister said in his opening statement and maybe add a bit of detail.

The investigative powers of the minister to conduct reviews don't require the triggering of a special measure. In this case, I can certainly confirm, for example, that our review was longer than the 45 days prescribed by the statute. When we become informed of something, whether through press reports or otherwise, we have the ability to actually start looking at it. I'm not really in a position to get into the specifics of when I talked to the minister and when I didn't. I think most members can appreciate that. However, I can certainly say that we were reviewing this for some time. It was certainly over a period of months. It was not just confined to the 45-day period. As a matter of course, because we do this for sensitive transactions, certainly the minister and the government were informed.

We were working with our allies in other ministries as well, as we do in any security review.

**Mr. Michael Kram:** Okay. Let me put it this way.

I see that it was on October 8 that this transaction was first reported in the mainstream media. Can you at least say whether the minister would have become aware of this transaction before the mainstream media?

**Mr. Simon Kennedy:** I'm not quite sure what the question is.

**Mr. Michael Kram:** Would the minister have been made aware of this transaction before it was reported in the mainstream media on October 8?

**Mr. Simon Kennedy:** I don't really think I'm in a position to be getting into the details of when I spoke to my minister or not. As a deputy minister, I think most members understand that my advice to the minister is confidential. I can speak in general terms.

We inform the minister of and discuss transactions with the minister. This is a very thorough multidepartmental process. That process was followed in this case. It was longer than the 45-day period, because we certainly became aware of it in the fall, before any official notification. With regard to the threshold for a formal decision of the government, that decision is made by the cabinet, and it is only undertaken if it is found that there's a possible risk to national security. As is obvious in this case, that risk was not found.

**The Chair:** Thank you, Mr. Kram and Mr. Kennedy.

I'll turn now to Mr. Gaheer for five minutes.

• (1910)

**Mr. Iqwinder Gaheer:** Thank you, Chair.

My question is for the deputy minister, but others can chime in.

Yesterday one of the witnesses talked about the importance of co-operation with our allies in North America and Europe to secure critical minerals and to counter Chinese interest. Can you speak a bit about the measures that are taken by this country and maybe the U.S. along the lines of that strategy?

**Mr. Simon Kennedy:** I can say that we have an active dialogue with our allies on the issue of critical minerals, in particular with the United States, which would be a very good example of that. Also, we have an active program of work to support the development of supply chains to develop Canada's critical mineral base as a contribution to the work we're doing with allies. There is a great deal of activity in this space.

On the issue of critical minerals specifically, if you wish to have more details, Mr. Labonté could probably talk a bit about that as well, because his ministry is deeply involved in the work.

**Mr. Jeff Labonté:** Sure. Thank you very much for the question.

We have a very active dialogue that has been ongoing for two and a half or three years with the United States as a critical mineral joint action plan and we have collaborative work with the U.S. under five working groups. It's shared among federal departments. Mr. Kennedy's department co-chairs some of those, as do our defence department and others. We have areas of collaboration around defence. We have research into [*Technical difficulty—Editor*], and innovate. We're focused on sharing information, sharing data, having researchers work together and having trade and promotion activities in which U.S. companies are thinking about Canada and Canada is thinking about the U.S.

We have a similar dialogue with the EU. We're in a raw materials partnership with the European Union, which was started about a year ago, and we're co-operating there in research and development and having multilateral dialogue as well.

In all of these, we're aligning where we have common interests around sustainable development, around trying to crack some of the research codes on how to process better and around how to have better environmental performance, for example. That kind of collaborative work has been a priority on critical minerals for a number of years now, and at this point we are continuing that collaboration quite extensively.

**Mr. Iqwinder Gaheer:** Thank you.

We've talked about our relationship with the U.S., but the U.S. doesn't have a critical mineral strategy. How far along is Canada compared to the U.S. when it comes to a strategy like that?

**Mr. Jeff Labonté:** The U.S. actually has tendencies very similar to Canada's in this space. They have a list that's similar to ours. The list overlaps with Canada's quite extensively.

The responsibility for critical minerals in the U.S. is scattered among a number of different departments. Their stance has a much stronger focus on defence and security. It's part and parcel of the larger global context.

We work with the Department of Commerce, the Department of the Interior, the Department of Energy and the State Department. In that space, the U.S. has, like Canada, a sort of strategy in terms of pushing on the research side and building up processing capabilities, gathering better exploration and geoscientific information, which is really about understanding the resources better, and then investing in the supply chain all the way through, such that the manufacturing sector and the defence development sector—whether it's automobiles, renewable energy or energy storage—have the feedstock and the critical minerals that are going to supply those value chains to grow and prosper.

**Mr. Iqwinder Gaheer:** Thank you.

[Translation]

**The Chair:** Thank you very much, Mr. Gaheer.

It is now your turn, Mr. Lemire. You have two and a half minutes.

**Mr. Sébastien Lemire:** Thank you, Mr. Chair.

My question is for Mr. Kennedy.

Given that natural resources, which belong to the provinces, are included in discussions with foreign partners, are calls being made?

**Mr. Simon Kennedy:** I'm not necessarily privy to the details of the discussions between my officials and my colleagues' officials in other departments with, for example, their American counterparts. I don't personally attend some of these meetings.

I'll turn the floor over to Mr. Labonté, because I know that there has been a substantial amount of discussion on the minerals issue.

**Mr. Sébastien Lemire:** However, in Canada, with the provinces, is it—

**Mr. Simon Kennedy:** Sorry, Mr. Lemire. I thought you were talking about discussions with the Americans or with other nations.

Perhaps Mr. Labonté would like to answer this question.

• (1915)

**Mr. Jeff Labonté:** Yes, of course.

Thank you for the question, Mr. Lemire.

We have an annual meeting involving the provinces, territories and the federal government. It's called the Energy and Mines Ministers' Conference. In addition, working groups involving assistant deputy ministers and deputy ministers meet often.

In terms of critical minerals, we talk once a month with my colleagues, my counterparts in Quebec and in other provinces. We have very strong ties and partnerships in our activities and in information sharing and science. We also have discussions with the industry regarding investments and things of that nature.

**Mr. Sébastien Lemire:** Thank you.

Mr. Kennedy, in the pan-American strategy of the joint plan with Canada and the United States, will processing and marketing be done in Quebec by Quebec companies?

Can you provide any information on this?

**Mr. Simon Kennedy:** I think that Mr. Labonté could answer this question.

Mr. Labonté, do you have any information on that?

**Mr. Jeff Labonté:** We have discussions with Quebec companies and other companies, but the discussions between the businesses are somewhat vibrant discussions with companies that work [*Editor's Note: Technical difficulty*]. It depends on the type of discussions, such as natural resources or minerals, the processes for manufacturers.

**The Chair:** Thank you, Mr. Lemire. Your time is up.

Thank you, Mr. Labonté. [*Editor's Note: Technical difficulty*]

[English]

**Mr. Brian Masse:** In this past year and a half we saw how vulnerable the auto industry is with regard to microchips. Sadly, those were actually produced in Mississauga for years, and we watched Taiwan actually bring in a national strategy to usurp that business. Even the United States is building it back. We're not doing anything over here of any significance whatsoever.

I don't share the same optimism on batteries. Mr. Kennedy, we have a big fat zero on the scoreboard right now. We have nothing. What portion does the United States have with regard to electric batteries?

About an hour's drive from where I am in Windsor, Ontario, is Lansing, Michigan. They just got another plant—another one—and New York state has even announced that over \$150 million is going there as an investment in parts and components for electric vehicles.

What does the U.S. have? At least we're tied with their supply chain and Mexico [*Technical difficulty—Editor*] get an idea? At least we're still tied with those two other countries that have been expanding their auto production quite significantly and also their battery production, whereas we haven't, but at least we have partners that are.

**Hon. Ed Fast:** On a point of order, Mr. Chair, I believe Mr. Masse's testimony was interrupted, probably again due to a broad-band issue. Perhaps he could just finish the last part of his testimony again so that all of us can hear it. Even the interpreters couldn't hear it.

**Mr. Brian Masse:** Thank you, Mr. Chair and Mr. Fast.

This is what I'm looking for. We're tied with the United States and Mexico in processing and production. What is their footprint for electric battery production and parts production versus that of China, for example? Do you have that?

If you don't have it, could you get that information back to our committee? I'd be interested in knowing where we are at.

**Mr. Simon Kennedy:** Mr. Chair, I don't have the facts right in front of me, but I'm very happy to follow up with a piece of paper to the committee.

**Mr. Brian Masse:** That would be excellent. Perhaps if you're going to do that, you could expand it to other operators in Europe as well, because you'd probably have all that data together if it's there.

I'll cede the floor, Mr. Chair, because you've been very generous with me on going over my time. Thank you.

**The Chair:** Thank you very much, Mr. Masse.

Mr. Généreux, go ahead for five minutes.

[*Translation*]

**Mr. Bernard Généreux:** Mr. Chair, I have a question for Ms. Henderson.

Yesterday, we heard from Guy Saint -Jacques, a former Canadian ambassador to China. He said that China seems to be increasingly using trade as a form of political weapon. Those are my words. The most recent example, of course, is the arrest of Michael Kovrig and Michael Spavor and then the exchange involving Ms. Wanzhou.

Are you concerned about a future where the security and freedom of Canadians abroad are threatened if Canada doesn't agree to everything that China asks for or tries to buy from Canadians?

• (1920)

**Ms. Cherie Henderson:** Thank you for the question, which I'll answer in English.

[*English*]

As we have stated before in public reports and [*Technical difficulty—Editor*] last year, the Government of China is pursuing a strategy for geopolitical advantage on all fronts—economic, technological [*Technical difficulty—Editor*] of state power to carry out activities that are a direct threat to our national sovereignty and our national security.

While China is a partner to Canada on some fronts, it is also a sophisticated and powerful player in the field of intelligence. We as

an agency are very attuned to watching any foreign interference activity that we see. We collect and we assess and we advise government on a regular basis.

[*Translation*]

**Mr. Bernard Généreux:** On that note, some of the witnesses whom we heard from yesterday, including Wesley Wark, want to see more transparency in the national security investigations that you're involved in. They believe that it would be in the best interests of Canadians to be better informed.

If Canadians really knew the extent of China's global ambitions, do you think that they would consider the acquisition of Neo Lithium acceptable and in Canada's national interest?

**Mr. Simon Kennedy:** Mr. Chair, let me answer the question.

We plan to increase transparency. [*Technical difficulty—Editor*] an annual report, and we discussed for the first time [*Technical difficulty—Editor*] national security operations. We include more and more details in our public reports each year. The most recent version, which we'll release to the public in the coming days, includes more information.

In contrast, experts have observed that, when we provide more and more details about our concerns and investigations, we risk showing our action plan to our [*Technical difficulty—Editor*].

**Mr. Bernard Généreux:** Mr. Chair, there's a sound issue again. Several witnesses are having the same issue. I didn't hear three-quarters of our colleague's response.

**The Chair:** The clerk is telling me that there seems to be some sound issues and that they're trying to resolve them. You can hardly hear the sound anymore. Is that right?

**Mr. Bernard Généreux:** Yes. Since the start of the meeting, when the witnesses answer questions, there have been interruptions. We don't hear the whole response.

**The Chair:** Noted. We'll look into it with the help of the IT service so that it doesn't happen again. I'm trying to find out from the clerk whether we have any—

**Mr. Bernard Généreux:** He's speaking with the technicians right now. Perhaps I should continue asking questions.

**The Chair:** Yes.

Mr. Kennedy, could you try to speak more slowly?

**Mr. Simon Kennedy:** Yes.

**The Chair:** Mr. Généreux, you have the floor.

**Mr. Bernard Généreux:** Mr. Kennedy, could you repeat the last part of your response?

**Mr. Simon Kennedy:** As I explained, we want to be more transparent. We've tried to make our annual report increasingly transparent. However, we wonder whether it's a good idea to be too transparent about the specifics of each report, because that might give a [*Technical difficulty—Editor*].

**Mr. Bernard Généreux:** Mr. Chair, the sound cut out at exactly the same time as earlier. It's as if they didn't want us to hear the answer.

**The Chair:** I'm sorry, but on our end, in the virtual format, we can hear everything.

**Mr. Bernard Généreux:** Here, we aren't hearing everything, unfortunately. I don't think that I'm the only one. Am I dreaming?

[*English*]

**Mrs. Tracy Gray:** It's not only you.

[*Translation*]

**Mr. Bernard Généreux:** Thank you, Mr. Kennedy.

Mr. Chair, I lost some time because of the technical issues. I'd like to ask Ms. Henderson a quick question.

Ms. Henderson, you said that China is both an ally in several areas and a very fierce competitor that sometimes wants to steal some of our technologies or spy on our activities.

Lithium is an important commodity. Do you see the Neo Lithium transaction as a disadvantage or a risk for Canada?

• (1925)

[*English*]

**Ms. Cherie Henderson:** I'm not going to be able to answer specifically in regard to lithium, but I would like to say that we have watched, over the past few years, a definite increase in what I would term economic espionage across our country. Canada is extremely advanced in much of its research and development, and we have excellent intellectual property. We have seen a definite interest by foreign states in that kind of information.

What we have attempted to do over the past couple of years really started with the advent of COVID. As I believe one of my colleagues mentioned earlier, we did see a huge interest in attempting to get access to our research and intellectual property—

I'm sorry; I'm out of time.

**Mr. Bernard Généreux:** Is it from the Chinese government mostly, or...?

[*Translation*]

**The Chair:** Mr. Généreux, your time is up. I gave you a little more time because there were some technical issues.

**Mr. Bernard Généreux:** Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Généreux and Ms. Henderson.

We'll now continue with the final round of questions.

Mr. Erskine-Smith, you have the floor.

[*English*]

**Mr. Nathaniel Erskine-Smith:** Thanks very much.

Ms. Henderson, just so I have it right, I think Mr. Kennedy said it was obvious that there were no national security concerns over this particular transaction in the way that it went ahead. To clarify, you're a national security expert. In relation to this transaction, is it fair to say there were no national security concerns?

**Ms. Cherie Henderson:** As I'm sure you can appreciate, I'm not able to speak on a specific transaction. What I can say is that we did do our work. We provide our advice to government, and then, as mentioned earlier by my colleagues, it is actually a community decision. While we provide our advice, there are other departments that provide their advice. Then there is a decision made as to what is actually in the best interests of our national security.

**Mr. Nathaniel Erskine-Smith:** Let's speak at a general level, then. Mr. Rochon was saying this would apply to you. If you and your agencies and your expertise were to provide advice to the government, would it be typical, if your advice is that there are national security concerns here and this deserves a full review, that the government would engage in a full review? Is that fair to say?

**Ms. Cherie Henderson:** Our advice is taken in with the advice of all the other departments. At that point, they determine whether or not there is a need to go forward for a full review.

**Mr. Nathaniel Erskine-Smith:** Okay. I appreciate that.

Mr. Kennedy, the reason I asked those more specific questions is that you said, or I think you said, that it was obvious that there were no national security concerns at play here. It seems obvious, though, that there were strategic considerations at play here. We have a strategic mineral, a critical mineral; we have a company in which a major shareholder, to say the least, is state-controlled; and we don't yet have our critical minerals strategy in place.

The question I have refers to the question I put to the minister about a case-by-case look versus a broader strategic look. Would it have made any sense to pause this transaction until the fuller strategy was in place?

**Mr. Simon Kennedy:** Maybe I can give a quick answer to this but widen the lens a little bit.

The threshold for going to a full national security review is that something “could” pose a danger—not “would”, but “could”. I want to assure the committee that if we get a clear recommendation from the security and intelligence community that they see a problem, that's going to weigh really heavily on whether a “could” threshold is met. We do not disregard the advice, certainly, coming from the national security folks.

When we do reviews, just to come back to this, the number one thing is whether or not this transaction could pose a risk to Canada's national security. What is the Canadian interest? In terms of the honourable member's question, in this circumstance, a key issue is this: Is this asset likely to ever be of use or exploited by the North American supply chain, by our allies, by the Canadian industry? If the answer is yes, that would obviously merit a lot more depth of review and discussion. If the answer is no, then that would tend to indicate that it's not going to meet the threshold of concern.

**Mr. Nathaniel Erskine-Smith:** We can read between the lines as to whether it would, based on the outcome here.

To that point, Mr. Labonté, I'm no expert, but when I look at the domestic critical minerals supply of lithium and the potential [*Technical difficulty—Editor*] growing global demand, it's fair to say... You mentioned, I think, that the Quebec mine is going to make up a significant percentage, but it's still 10%, I think you said, of the North American market. Is it not also fair to say that we're going to need to access global supply, that the North American supply is going to be insufficient for North American demand for lithium in particular?

• (1930)

**Mr. Jeff Labonté:** I think it's a question about what the market looks like and what will happen over time. Lithium is a critical mineral, but as was pointed out, not all critical minerals are alike. Canada does have domestic critical mineral resources for lithium, and so does the U.S. In fact, Australia is the largest country in the world, with Chile, in terms of lithium resources.

In terms of lithium's accessibility and where it's found on the global market as a resource, it is fairly broadly available in countries that are more similar, if I could put it that way, to how Canada would expect countries to operate, some of whom—

**Mr. Nathaniel Erskine-Smith:** Pause there, because that's, I think, the thrust of this, and I'm running out of time.

Allowing this transaction to proceed isn't putting Canada's access to lithium at risk in terms of the resiliency of our supply chains. Is that fair to say?

**Mr. Jeff Labonté:** I can't really answer the question with respect to specific transactions. I'll just say that the lithium market certainly

has a lot of players in it. Demand for it is going to grow, as you pointed out, and Canada does have its own resources in terms of lithium, some of which—

**Mr. Nathaniel Erskine-Smith:** I appreciate that. I'm running out of time.

The only thing I would say, though, is that I think the inability to answer fairly straightforward, specific questions—and I know we're saying, “Well, we can't answer” around this particular transaction—lends itself to suspicion around transactions. It should be possible for a national security expert to say that there were no national concerns for Canadians in relation to this particular transaction. We have to change that process fairly to provide transparency and to provide comfort and confidence.

Thanks very much.

[*Translation*]

**The Chair:** Thank you, Mr. Erskine-Smith.

This concludes the question period.

I want to thank the witnesses and the officials for agreeing to meet with us on short notice. Thank you for joining us, and thank you for everything that you do for the country.

I see that Mr. Lemire has raised his hand.

**Mr. Sébastien Lemire:** Thank you, Mr. Chair.

I have a request for the minister. Could the department send the committee a data table regarding the mining buyout? I'll send my specific question to the clerk, who can pass it on to the minister or the department. That would be a great help.

**The Chair:** Certainly, Mr. Lemire.

I apologize to the people who attended in person for the minor technical issues. We'll try to resolve them.

Once again, I want to thank the witnesses and wish you all a good evening.

[*English*]

The meeting is adjourned.







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