The SHIELD Score
Algoma Steel Loan

Sovereignty by Design

Policy under review: The Federal Government's $400 million Loan to Algoma Steel

Policy Announced: September 29, 2025

Review Date: November 18, 2025

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Subject: Federal Government's decision to loan $400 million to Algoma Steel receives a 6/10 on the SHIELD Score

TL;DR: Good start but improvements needed to truly deliver on sovereignty and economic transformation.

Government investment in Algoma gets a 6/10 on the SHIELD Sovereignty Score. The deal will keep Algoma operating, which is job one, but more could have been done to ensure the company remains a Canadian-based entity, capture the benefits of the deal for the Canadian economy, and broaden human capital utilization.

The SHIELD Sovereignty Score is a practical framework to evaluate policy decisions for sovereignty and economic transformation. The Framework turns policy promises into testable choices, showing if and how a policy decision shifts control, competition or value towards Canada.

This analysis delves into the federal government's decision to loan $400 million to Algoma Steel.

The Policy

On September 29, the Government of Canada announced a $400 million loan made to Algoma Steel, Canada's only independent, publicly traded and privately owned steelmaker, to continue operations, transition to a business model less reliant on the United States and limit disruption to its workforce.[1] The Government of Ontario announced it would provide a $100 million loan as well.[2]

The loan will be administered through the Large Enterprise Tariff Loan (LETL) facility.[3] The intent of the LETL is to provide financing for up to 36 months to support the liquidity and operating needs of large companies once all other sources of financing have been exhausted.

This announcement gets a 6/10 on the SHIELD Score. It promotes and invests in a Canadian controlled company that may otherwise go out of business or be bought up by a foreign conglomerate for pennies on the dollar. If that happened, there would be no Canadian-controlled steel makers left in the country.

The loan secures jobs that generally pay higher than average wages. It also secures Canadian-owned supply that produces key ingredients to the federal government's industrial strategy require defence, construction and transportation infrastructure contractors to Buy Canadian

Why This Decision Matters

The trade war is impacting the steel industry more than most others. The United States is currently imposing a 50% tariff on Canadian steel and aluminum sold into the United States. That means: Canadian steel is getting far more expensive for American buyers.

Without intervention, demand for Canadian steel is about to tank. In 2024, 45% of the steel produced in Canada was exported to the United States.[4] American demand for Canada's steel will decline as a result of tariffs putting Canada's steel industry at risk. Producers in the country will need to find new customers for a large proportion of their product. The government is stepping in help fill the gap.

Algoma Steel is the only Canadian controlled steel producer in the country. The federal government has committed to using a new and improved "Buy Canadian" policy to bolster the steel industry.[5] It will require companies that win Canadian government infrastructure and equipment projects to use Canadian-made steel when steel is required.

Canadian-based companies, like Algoma, are well positioned to fill this demand but will need to pivot to ensure the products they produce match the forthcoming demand for Canadian steel.

Public Reaction to the Policy Choice

Reddit: Algoma Steel to get loans of $400m federally, $100m from Ontario as tariffs hit the industry. Read more here.

r/CanadaPolitics · 2d ago
yourfriendlysocdem1

Ontario NDP leader Marit Stiles wants province to develop plan with Algoma Steel workers

Reddit: Ontario NDP leader Marit Stiles wants province to develop plan with Algoma Steel workers. Read more here.

Is Algoma Steel Canadian?

Both the government and Algoma Steel have been referring to the company as an independent Canadian company. But how Canadian is it? That is a question we at SHIELD will be asking time and again as we publish these scores.

Algoma is a company with substantial control in Canada, though it has at times been foreign owned. Currently, one third of the shares are owned by Canadians or Canadian companies.[6] The Company is traded on the TSX, a Toronto-based stock exchange but also the NASDAQ, a fully digital stock exchange based in New York City.

Algoma Steel was started in 1901 by an American who had settled in Sault Ste. Marie. The company has traded hands multiple times in the last 125 years, most recently in 2021 when the company entered bankruptcy and Essar, an internationally located owner, negotiated an exit and the company was listed on the stock exchange for the fourth time.

The company is headquartered in Sault Ste. Marie, and as far as we can tell, the executive team is based there. Finally, it is not a subsidiary, but a fully independent company based and registered in Canada.

For the purposes of this analysis, we will treat the company as Canadian though there are changes that could be made to make it more Canadian—specifically, increasing the share of stock owned by Canadian firms.

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The SHIELD Sovereignty Score

The decision by the federal government to provide a $400 million loan to Algoma Steel with an additional $100 million from the Ontario government receives a 6/10 on the SHIELD Sovereignty Score.

1. **Sovereignty:** *This section measures if and how the policy choice increases Canada's sovereignty and strategic autonomy*

Does it use or incentivize the development of Canadian innovation?

No – This investment will support Algoma Steel to keep the business operational while management develops and implements a plan for diversifying products in order to serve more industries in the Canadian market including construction, rail and defence. It will not, however, directly produce, incentivize or use Canadian innovations, though it will keep Algoma operational during its transition to a new electric arc furnace.[7] To improve this item on the score, the government could have directly funded Algoma Research and Development (R&D) to start diversifying its product mix.

Does it enhance national economic security and defence and/or promote interoperability or open standards?

Yes – It enhances economic security by ensuring a Canadian-controlled option for an industry that supplies many organizations in Canada, including the Canadian government and military suppliers. Without this investment, the government would be less likely to meet its own Buy Canadian policy, delivering more economic benefit directly to Canadians.

Does it reduce dependency on foreign firms or supply chains?

Yes – The investment will ensure a Canadian competitor exists in the market for steel, including for government procurement, defence equipment and transportation infrastructure, among many other products.

Does it avoid entrenching monopolies and/or systems that concentrate power in private hands?

Yes – The LETL facility will sustain an existing competitor, protecting it from being purchased by a foreign conglomerate and ensuring that there is one more steel producer in the ecosystem than there would otherwise be.

Does it increase the ability for Canada to govern technology; for example, through IP ownership and data control by Canadian companies or the government itself?

No – The covenants that accompany the LETL facility cover some important requirements such as continuing to adhere to collective bargaining agreements, meeting pension obligations and publishing an annual climate-related financial disclosure report but they do not require any covenants on IP developed using Canadian government investment.

2. Economic Transformation: *This section measures if and how the policy delivers value-add to people in Canada, short-term and long-term?*

Is the IP, data and profit generated by this decision retained by Canadian firms?

No – The profit generated by this decision will be retained by shareholders from both the TSX and the NASDAQ. Only one-third of shares are owned by Canadian companies.[8] The LETL does not require certain value-added benefits to remain in Canada, such as ownership and assignment of IP rights from innovations made possible by the loan, but it could have[9]. That would have improved its SHIELD Score.

Does it create, sustain or improve jobs in Canada?

Yes – This loan will bolster the viability of a Canadian-operated steel company directly supporting more than 2,000 jobs at the plant and indirectly supporting half of the city's economy.[10] Although keeping Algoma Steel operational through government funding will keep jobs in Sault Ste. Marie, Algoma's new furnace technology requires fewer employees, and Algoma plans to reduce its employee headcount by around 1,000.

Does it increase skill utilization or broaden the skill base of Canadian workers?

No – In this instance, the investment will sustain skill utilization in Canada but will not directly broaden the skills base. There is potential for new workers to be trained as current workers retire.

Does it promote systems that share economic benefits broadly?

Yes – By releasing the finance facility as a loan instead of a grant, the Canadian government has created a pathway for the public to be rewarded for their investment through interest payments. The financing agreement, which was finalized on November 17, also includes options to buy shares in the publicly traded company at specific prices. If the shares increase in value over the next 10 years, government may buy shares at guaranteed lower prices and sell the equity for a profit leading to additional public value.[11]

Does it enhance affordability, quality, and innovation for consumers; not just returns for incumbents?

Yes – The intent of the loan is to support an existing company to transition its business model to serve new markets. Algoma will need to replicate current products offered by competitors or innovate new products to compete in new markets. This has the potential to reduce costs or create innovations for producers and eventually consumers.

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Notes

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About SHIELD

SHIELD is a next-generation policy studio focused on developing Canada's sovereignty and driving economic transformation. We work across infrastructures, industry, and innovation to confront systemic risks, retain economic value, and build the domestic capacity Canada needs to thrive. Our goal is a more prosperous, resilient, and independent future for all Canadians.

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