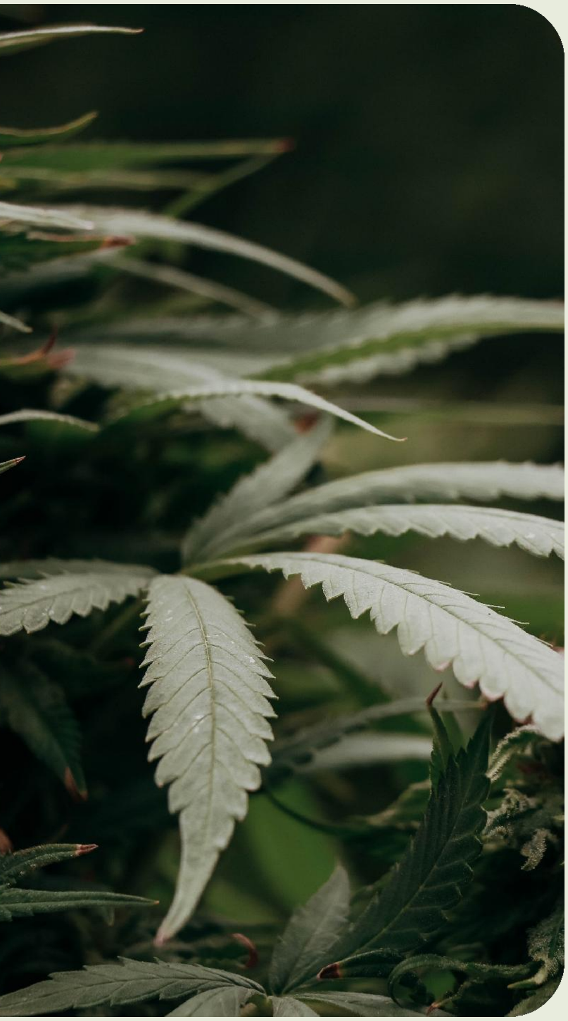
AQIC
ASSOCIATION QUÉBÉCOISE DE L'INDUSTRIE DU CHANVRE ET DU CANNABIS



BRIEF SUBMITTED AS PART OF THE ANNOUNCEMENT OF THE REVIEW TO MODERNIZE OUTDATED REGULATIONS AND TO ELIMINATE RED TAPE

Treasury Board of Canada Secretariat
July 9, 2025

Courtesy translation - official version in French

July 14, 2025

Foreword

Minister,

The Quebec Cannabis and Hemp Industry Association (AQIC) is proud to submit this memorandum as part of the Red Tape review of regulations across federal departments and agencies with regulatory responsibilities. In the context of political and economic uncertainty, Canadians have given you a clear mandate: to preserve our economic independence and our way of life.

This effort is taking place in a climate of considerable uncertainty, due to numerous factors: inflation continues to affect Canadians, record deficits in 2024-2025 both federally and provincially, political instability, and economic threats from the United States.

As part of the federal government's review to modernize outdated regulations and reduce red tape, we submit the following recommendations to improve regulatory efficiency, reduce the sector's administrative burden, and ensure more coherent tax revenue collection for provincial and federal governments.

In 2018, the federal government legalized cannabis to allow recreational adult-use consumption to control product quality, protect the health of young persons, reduce health risks, limit the black market, and better inform citizens. Cannabis was already widely accessible, as the prohibitionist approach long favoured by authorities had proven counterproductive.

Quebec's hemp and cannabis sector aspires to be a leader in producing high-quality products across North America and globally. However, we are currently facing a critical saturation point in our ability to transition consumers to the legal market. To support a sustainable shift for both businesses and citizens—and to meet growing domestic and international demand—Canada must fully embrace the economic and regulatory responsibilities that come with its legalization policy.

Legislative reforms in several countries are reshaping the global hemp and cannabis market. The new U.S. administration's stated commitment to expanding its role in the industry underscores the urgent need for Canada to reflect on the long-term sustainability and competitiveness of its own sector.

Thank you for your attention,

Pierre Leclerc
CEO

Président

Introduction

Founded in 2019, the Quebec Cannabis and Hemp Industry Association (AQIC) represent Quebec's hemp and cannabis industry and contributes constructively and responsibly to the development of this broad ecosystem. It includes businesses active in Quebec subject to federal and provincial/territorial laws and regulations.

AQIC represents over 120 members across Quebec and Canada and also chairs the International Federation of Cannabis and Hemp Associations (IFCHA), founded in March 2023. IFCHA represents the global cannabis and hemp ecosystem on international issues and consists of national associations with activities in cannabis or hemp across 27 member countries.

Our members include Licensed producers (including micro producers) and processors of hemp and cannabis, specializing in recreational, medical, pharmaceutical, biopharmaceutical, cosmetics, and industrial products. AQIC also includes among its 121 members, companies whose commercial or professional activities are tied to hemp and cannabis.

To fulfill its mission, the AQIC is actively working to develop a regulatory framework tailored to Quebec, the other provinces and territories in Canada, and several other jurisdictions around the world, in perfect alignment with the public health and safety objectives of the legalization of cannabis and hemp, namely reducing the harms associated with consumption by offering high-quality products subject to rigorous controls, as well as diverting the sale of cannabis and hemp from the illicit market to the legal economy.

In 2023, Canada’s legal cannabis industry contributed $7.7 billion to the country’s GDP (Statistics Canada). More than 30,000 direct jobs and 150,000 indirect jobs are linked to cultivation, processing, distribution, and sales.

By comparison, the legal cannabis sector has contributed more to Canada’s GDP than breweries, wineries, and distilleries. Yet, Quebec continues to lag behind in public policy for hemp and cannabis. This is despite the fact that the province’s hemp and cannabis industry rank fifth among all crops in terms of farm income and supports over 8,000[1] jobs

[1] AppEco - Analyse économique de l'industrie du chanvre et du cannabis

Requested Measures

AQIC reaffirms its commitment to realistic demands that pose no risk to the Canadian public and remain fully aligned with the principles of the Cannabis Act and Quebec's Cannabis Regulation Act. These proposals are intended to address urgent issues in a pragmatic and transparent manner

Despite contributing nearly $7.7 billion to Canada's GDP in 2023 and supporting over 30,000 direct jobs, the documented administrative burden[2] (excise tax, reporting, stamps) remains disproportionate compared to other industries.

Summary Table: Proposed Measures, Estimated Savings, and Impacts

Proposed Measure	Potential Annual Savings (industry)	Key Impacts
Single national excise stamp	Millions $ (management, destruction, logistics)	• Fewer delays/errors • less product destruction • Interprovincial harmonization
Provincial distributors/ wholesalers to collect the excise tax	$60M/year + $260M liquidity (Year 1)	• Fewer payment defaults • improved cash flow • fewer penalties
Eliminate double reporting (CRA/HC)	Up to $12M/year	• reduced administrative burden • time/money savings • more efficiency
Reclassify non-intoxicating products	+$2B CAD in forecasted revenue	• Access to new markets • Innovation • investment
Ease packaging and labelling requirements	Up to $2/units sold	• Less plastic waste • lower SME costs • better brand differentiation

[2] CFIB - Canada's Red Tape Report

Establishing a Single National Excise Stamp for Cannabis Products

AQIC recommends the creation of a harmonized national excise stamp for cannabis products to replace the current requirement for distinct provincial/territorial stamps. This stamp would serve purposes of traceability, regulatory identification, and excise tax collection.

Current Problem:
Producers must order and manage up to 13 different provincial/territorial excise stamps, leading to:

- Supply delays;
- Labelling errors resulting in product destruction;
- Additional printing, storage, and logistics costs.

Sector Calculations[3] :
Excise stamp printing, management, and storage costs alone represent several thousand dollars per SKU, in addition to significant logistical delays. The current system prevents "just-in-time" production and increases waste due to packaging errors. It also limits the ability of producers and processors to redirect their products to other provinces when necessary. Internal management costs (accounting, treasury, HR) total several million dollars per year for the industry. Added to that is the cost of destroying products or packaging that cannot be reallocated across provinces.

For some producers, this represents thousands of dollars per SKU and weeks of delay per batch.

Impacts and Benefits :

- Harmonizes interprovincial trade and reduces administrative duplication;
- Reduces administrative and logistical costs for federal licence holders;
- Decreases destruction volumes (products and packaging);
- Simplifies oversight and inspections;
- Improves tax transparency and legal product control;
- No known negative impact.

[3] C3, AQIC, ACCES, Deloitte, EY, producer testimonials

Collection of Excise Tax by Provincial Distributors/ wholesalers

AQIC recommends that excise tax on cannabis be collected by provincial wholesalers (i.e., SQDC in Quebec) instead of directly by federally licensed producers. Provincial distributors are better positioned to collect taxes at the source, as they already do for sales taxes and alcoholic beverages.

This would significantly reduce the administrative burden on producers, especially SMEs, prevent fiscal losses, and better reflect the reality of provincial monopoly markets.

Current Problem :
A high volume of late payments and widespread tax evasion are undermining the viability of the legal cannabis sector. While the Canada Revenue Agency (CRA) is taking steps to monitor financial flows—particularly payments from wholesalers to producers—numerous write-offs indicate that several companies have gone bankrupt or settled their debts for only a fraction of what was owed. This has led to substantial tax revenue losses for the federal government as well as for provinces and territories.

As of March 31, 2023, the outstanding balance was nearly $200 million, compared to approximately $52 million the previous year. Of 305 licensed companies, 213 were behind on payments.

This situation also undermines competitive balance within the sector.

Sector Calculations :
Hypothetical Example of a producer with $10 million in annual product sales:

- Pays an average of 20% in excise tax ($2 million);
- Incurs 1–2% in excise accounting/management fees ($20,000 to $40,000/year);
- Faces a 5% risk of default/penalties ($100,000/year).
  - ➢ Estimated potential savings for the producer: up to $120,000/year, not including impact on cash flow.

For the industry**:** estimated savings of $60 million/year and $260 million in additional liquidity in the sector for the first year of implementation.

Impacts and Benefits :
- Reduces risk of default;
- Decreases penalties and interest charges;
- Improves cash flow;
- Lowers administrative burdens;
- No known negative impact.

Eliminate Duplicate Reporting to the CRA and Health Canada

AQIC requests that the CRA and Health Canada harmonize their reporting systems so that a single submission satisfies both agencies (e.g., through a unified data portal or API integration). Creating a joint or interoperable reporting platform and aligning data requirements would significantly reduce the administrative burden on licensed businesses.

Current Problem :
The cannabis industry is subject to two parallel reporting systems. Licensed producers must submit similar product and sales data to both Health Canada (via the Cannabis Tracking and Licensing System – CTLS) and Canada Revenue Agency (via cannabis duty return).

Sector Calculations :
Health Canada's monthly report (CTLS portal) and the separate CRA duty declaration require 2 to 3 days of work per month for small businesses. This time increases significantly for larger companies.

These redundancies are especially burdensome for micro-producers, who already operate with thin margins.

Estimated potential savings per producer: up to $32,000/year.

Estimated industry savings: up to $12 million/year.

Impacts and Benefits :

- Time savings;
- Reduced IT and compliance costs for small businesses;
- Improved cash flow;
- Lower administrative burden;
- No known negative impact.

Reclassification of non-intoxicating products

AQIC calls on the Government of Canada to establish a distinct regulatory framework for non-intoxicating hemp and cannabis products, with requirements proportionate to actual risk.

This includes clarifying the boundaries between the Food and Drugs Act, the Natural Health Products Regulations, and the Cannabis Act, to avoid regulatory overlaps.

These proposals aim to enhance regulatory efficiency without compromising public health objectives or tax requirements. They reflect the real concerns of an industry operating in a highly regulated and constantly evolving environment. AQIC remains available to further develop these recommendations and collaborate with the relevant authorities.

Current Problem : Lack of Access and Suppressed Economic Potential
The Cannabis Act creates a strict legal framework to control the production, distribution, sale, and possession of cannabis across Canada. Cannabis is defined as a cannabis plant and anything referred to in Schedule 1 but does not include anything referred to in Schedule 2. (cannabis)

SCHEDULE 1

1. Any part of a cannabis plant, including the phytocannabinoids produced by, or found in, such a plant, regardless of whether that part has been processed or not, other than a part of the plant referred to in Schedule 2 ;
2. Any substance or mixture of substances that contains or has on it any part of such a plant ;
3. Any substance that is identical to any phytocannabinoid produced by, or found in, such a plant, regardless of how the substance was obtained.

SCHEDULE 2

1. A non-viable seed of a cannabis plant ;
2. A mature stalk, without any leaf, flower, seed or branch, of such a plant ;
3. Fibre derived from a stalk referred to in item 2 ;
4. The root or any part of the root of such a plant ;
5. A derivative made by processing parts of such a plant referred to in items 1, 3 or 4, or a product made from that derivative ;
6. A derivative made by processing a stalk referred to in item 2, or a product made from that derivative, that does not contain an isolated or concentrated phytocannabinoid

As a result, many non-intoxicating hemp or cannabis-based products (e.g., CBD) are subject to the same regulatory requirements as intoxicating cannabis (e.g., delta-9-THC).

This creates a disproportionate administrative burden and limits access to wellness products that pose no known risk.

Many jurisdictions including the UK, the EU, and several U.S. states already apply a distinct classification for non-intoxicating products.

Canada's current approach deprives our companies of an important market, limits their ability to export, and significantly hinders foreign investment.

Sector Calculations[4] : CBD Market Example
In 2024, the global CBD market (all forms combined) was valued at between 8.97 billion and 11.1 billion USD. Projections for 2025 range from 10.4 billion to 13.1 billion USD, according to estimates. According to a Deloitte report published in 2020, the global CBD market will reach at least 17 billion USD by 2026.

In 2021, the global market size for CBD-based products was 5.18 billion USD, with a compound annual growth rate (CAGR) of 16.8% projected between 2022 and 2030. This growth is attributed to increased use of CBD in various sectors, including personal care and cosmetics.

Medium and long term forecast

- 2030: estimated market value between 22 billion and 38 billion USD;
- 2033-2034: projections estimate a market value of 38 billion to 58 billion, or even up to 108 billion USD according to some projections.

If Health Canada allowed the open sale of CBD-based products, the niche market could evolve into a mainstream consumer market, with projected Canadian licensed producers' revenues of approximately 22 billion CAD the first year.

Impacts and Benefits :

- Encourages innovation;
- Stimulates investment;
- Reduces market authorization costs;
- Improves consumer access;
- Enables the development of a $2B+ s CAD segment;
- Opens export opportunities for Canadian businesses;
- Supports emergence of veterinary and specialty products;
- Requires a clear framework for safe human and animal consumption.

[4] Precedence Research - Straits Research - Research Nester - Grand View Research - GMI Insights

Remove Excessive Packaging and Labelling Regulations

AQIC asks Health Canada to revise current regulations to allow more sustainable packaging options and relax redundant warning label requirements, particularly for low-risk products such as topicals.

We support efforts to reduce the appeal of certain products, particularly among young people. Although studies show that plain packaging (with no visuals except for the brand name and logo) and health warnings decrease product attractiveness, we believe a balanced approach is necessary. One that deters youth use while easing the regulatory burden on producers and processors.

We welcome recent regulatory relaxation that provides more flexibility, and we would like to thank Health Canada's collaborative approach with the industry.

Current Problem :
Excessive packaging requirements (e.g., single-use plastic, overlabelling, child-resistant packaging) conflict with sustainability goals. They also apply to all product categories, regardless of actual health risk.

This results in high production costs, frequent relabelling, and operational constraints, particularly for small processors or artisanal producers with limited branding tools and marketing channels. Companies must deal with complex and constantly evolving requirements, including opaque child-resistant packaging, specific font sizes, health warnings, and prohibited design elements.

This situation prevents the legal industry to effectively overturn illicit markets and leads to significant environmental and economic costs.

Sector Calculations :

Environmental Costs

1. Overpackaging and Plastic Waste
   - Strict rules require opaque, non-reusable, child-resistant packaging with multiple layers (e.g., jar, box, pouch, seal, inner and outer labels) ;
   - *Result:* High waste volume for very small quantities (e.g., 1g or 3.5g flower). In 2019, researchers estimated the Canadian cannabis industry generated over 10,000 tonnes of plastic waste per year from packaging alone.
2. Frequent Non-Recyclability
   - Many packages use mixed plastics not accepted by most municipal recycling centres.
   - Labels with high-contrast inks also resist recycling processes.

3. Carbon Footprint
    - Transport of heavy materials (rigid containers, multiple layers), virgin plastic manufacturing, repeated printing, all increase greenhouse (GHG) gas emissions related to packaging.

Economic Costs

1. Regulatory Compliance Costs
    - Sourcing certified materials (e.g., childproof);
    - Hiring regulatory experts for label validation;
    - Continuous packaging redesign due to regulatory changes;
    - Estimated cost: between $0.50 and $2.00 per unit sold just for packaging, a significant share of the final retail price.
2. Barrier to Entry for Small Producers
    - Micro or artisanal processors face high fixed packaging costs (equipment, design, inventory);
    - Limited ability to innovate or differentiate (restricted branding);
    - Favours market concentration among large players.

Additional data

Indicator	Value
Packaging waste (2020 estimate)	>10,000 tonnes/year
Average packaging cost per unit	$0.50 to $2.00
% of production cost related to packaging (small producers)	up to 25%
% of packaging actually recycled	<10% (according to certain municipalities)

Impacts and Benefits :

- Significant reduction in single-use plastics, better recyclability, lower carbon footprint;
- Reduced fixed and variable costs for producers, especially small processors;
- Greater brand differentiation and alignment with market expectations (eco-design, responsibility);
- Administrative relief without compromising public health goals.
- No known negative impact for low-risk products

Guiding Principles…

For the first time in generations, we are facing tensions that challenge the foundations of our economic security and strategic autonomy. From trade barriers and unilateral industrial policies to regulatory divergences, it is essential to undertake a clear-eyed reflection, both individually and collectively, on how Canada can strengthen its resilience and assert its economic sovereignty in a changing global context.

While the depth of our partnership with the United States has built one of the most successful bilateral relationships in the world based on strong economic, cultural, and security ties, current realities call for a strategic adaptation on our part to safeguard long-term interests while maintaining constructive dialogue with our neighbour.

Canada must clearly assert its independence, identity, pride, and its right to exist as a nation in complete security. Now is the time to reinforce domestic trade, make strategic investments, and deepen ties with our European and Commonwealth partners to diversify export markets.

In this context, the Government of Canada should be guided by the following priorities:

- Avoid further increasing the fiscal burden on Canadian citizens and businesses;
- Promote Canadian interprovincial free trade and harmonization across provinces;
- Deploy all necessary diplomatic efforts to maintain trade relations with the United States, while diversifying markets;
- Rethink the current economic policy by identifying and supporting strategic sectors, rather than investing heavily in individual corporations;
- Invest in innovation and productivity;
- Prioritize local businesses in infrastructure development.

Countries such as the Netherlands, Germany, and Australia have undertaken reforms to better differentiate between intoxicating and non-intoxicating products, and to simplify taxation and traceability.

The OECD, in its regulatory policy guidelines, recommends tailoring administrative requirements to the actual risk and the size of the business.

Though often frustrating, challenges also provide opportunities to grow and improve. It is time to move beyond the comfort of the status quo and build a modern regulatory environment. Entrepreneurs across Canada are full of boldness and ambition for our country, the government must have the courage to support them.

In Conclusion…

Despite legalization, cannabis and hemp remain stigmatized. Rather than correcting misperceptions, misinformation and prejudice, public authorities continue to reinforce stigma by focusing almost exclusively on the harms of use and the need to reduce them.

Combined with the hesitancy of investors who need clear and essential knowledge, including reliable industry and market forecasts, this contradictory posture impedes the growth of an industry that governments and public agencies would benefit from treating as a true public health and safety partner, rather than merely tolerating as a necessary evil.

The sector's positive contribution to Canada's and the provinces' public finances, as well as to our local communities, is undeniable. With a more appropriate business environment, we can go much further. In today's economy, no government can afford to neglect jobs that pay an average of over $107,000 per year.

Since legalization in 2018, the underground cannabis economy has decreased significantly, though it persists. From 2018 to 2021, household spending on illegal cannabis dropped by 43.4% thanks to the availability of legal products. However, part of the market remains illicit due to lower prices and easier access through unregulated channels.

Approximately 1 in 5 Canadians reported using cannabis in the past 30 days

From 2018 to 2024, cannabis use remained relatively stable. The share of people in Canada who reported using cannabis in the past 12 months and who indicated:

- Smoking cannabis fell from 89% in 2018 to 69% in 2024 (unchanged from 2023 to 2024);
- Eating or drinking cannabis rose from 43% in 2018 to 57% in 2024 (also stable from 2023 to 2024);
- Vaping cannabis (dried flower or liquid/solid extracts) was 37% in 2024, the same as in 2018 and 2023 (33% and 36%, respectively).
- AQIC estimates that each additional point of market share captured by legal retailers represents $96 million in sales and just over $24 million in tax revenues for governments.