Canada extends steel and aluminum trade measures: What stakeholders need to know

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Key takeaways

- Since 2025, Canada has had trade measures in place to protect its steel and aluminum industries. These measures were originally set to expire in June 2026 but have now been extended for an additional year.
- The trade measures consist of two major components: tariff-rate quotas (TRQs) on non-CUSMA imports, and tariff relief for eligible U.S. steel and aluminum products, both of which have been extended to June 2027.
- The extension maintains TRQs on non-CUSMA steel imports and continues tariff relief for certain U.S. inputs.
- Quota levels and enforcement remain unchanged (including 50 per cent tariffs above quota thresholds), reinforcing the current compliance framework.
- The government has indicated that it may change how quotas are allocated. Instead of access being based on timing (like first-come, first-served permits), quotas could be assigned in advance to specific importers, potentially based on past import activity or applications, with further details expected following stakeholder consultations.

Background and policy context

Since 2018, the United States has systematically imposed, and expanded, sectoral tariffs on imports of Canadian steel and aluminum, principally in the guise of “national security” instruments under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. §1862).

In response, since last year, Canada has maintained a multi-layered toolkit combining:

1. retaliatory surtaxes on U.S. goods, including steel & aluminum and motor vehicles: They are imposed in response to U.S. trade measures (notably Section 232 tariffs). These surtaxes are primarily designed to counterbalance the impact on Canadian industries.

2. TRQs targeting steel import volumes from countries other than the United States and Mexico. Beginning in June 2025, Canada introduced steel TRQs to stabilize its domestic market, with quotas tied to historical import volumes and a 50 per cent surtax on over-quota imports. This was a design intended to deter trade diversion rather than eliminate imports altogether.

3. Remission and duty relief programs to mitigate domestic impacts. At the same time, Canada has maintained targeted tariff relief measures for certain U.S. inputs, recognizing the integration of North American supply chains and the risk of self-inflicted harm.

What is changing?

The June 3, 2026, announcement does not introduce a fundamentally new regime but instead extends and modestly evolves the existing framework:

1. One-year extension of core measures

- Steel TRQs for non-CUSMA countries will continue.
- Tariff relief for eligible U.S. steel and aluminum products will also be extended.
- These measures will now run to June 2027 (subject to approval by the Governor in Council).

2. Continued TRQ structure

- Quotas remain based on percentage of 2024 import volumes: 20 per cent of 2024 volumes for partners without a free trade agreement with Canada, and 75 per cent for partners with a free trade agreement in force with Canada.
- Imports exceeding quota limits remain subject to a 50 per cent tariff, preserving the current deterrence structure.
- CUSMA partners (the United States and Mexico) continue to be exempt from TRQs.

3. Planned reform: Allocation-based quotas

- The government has signalled a shift toward an allocation-based administration model for certain product classes. This would align the steel TRQs framework more closely with other Canadian quotas regimes, such as dairy (including cheese), where quotas are pre-allocated to importers based on historical activity or application criteria rather than administered in real time.
- Stakeholder consultations are expected, suggesting potential changes to how quotas access is distributed (like historical usage vs. application-based allocation).

4. Ongoing remission and engagement

- Canada will continue engaging domestic producers to ensure remission and duty relief programs support competitiveness.

Implications for Canadian stakeholders

1. Importers: Continued compliance burden and planning imperative

For importers, the extension reinforces that TRQ compliance remains a critical operational risk. TRQs are not simply tariff rules; they are capacity management systems requiring:

- the monitoring of quota utilization (including total quota and country share limits);
- the submission of timely permit applications (failure may trigger an automatic surtax); and
- the careful timing of shipments within quota periods.

The shift toward allocation-based quotas could significantly change how importers access quotas. While no details have been released, such models are commonly used in other Canadian TRQ regimes, where access to quotas is pre-allocated to importers (such as based on historical activity or application processes) rather than administered on a real-time, permit-based basis. In those regimes, importers typically receive a defined annual quota allocation in advance, which can provide greater certainty. For example, under Canada's CETA cheese TRQ regime, eligible importers apply in advance and receive an annual allocation. This allocation is typically calculated on a market-share basis and linked to their prior activity, which is then used to obtain import permits over the quota year.

At present, Canada's steel TRQs are administered through shipment-specific permits and quotas monitoring, often effectively on a first-come, first-served basis, suggesting that any move to allocation would represent a material change in how quotas access is determined. It may give an advantage to established importers and require others to take a more strategic approach to securing quotas access.

2. Domestic producers: Continued protection with greater certainty

For Canadian steel and aluminum producers, the extension provides:

- continued protection against import surges and trade diversion; and
- predictability for capacity planning and investment decisions.

3. Exporters and integrated supply chains: Ongoing tension

Businesses operating across the Canada–U.S. border must continue navigating:

- asymmetric tariff regimes (such as Section 232 measures); and
- Canada's balancing approach of retaliation and relief.

Modern sectoral tariffs increasingly operate as content-based and supply-chain-dependent measures. This means:

- classification, origin, and valuation remain critical;
- tariffs may "stack" depending on the legal basis; and

- compliance requires integration of legal, procurement, and operational data.

Looking ahead

Stakeholders should monitor:

- details of the proposed allocation-based TRQ system;
- any adjustments following stakeholder consultations; and
- broader alignment (or divergence) with U.S. trade measures.

BLG is there to help

BLG's International Trade and Investment group continues to monitor the situation closely. If you have any questions about the tariff developments impacting your organization, please reach out to one of our lawyers below. Our multidisciplinary team can help you navigate the new regulatory landscape, maximize opportunities, and ensure compliance across all major industries.

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