



**Ontario Federation of Agriculture**

**Ontario AgriCentre**

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February 3, 2017

Hon. Charles Sousa  
Minister of Finance  
7<sup>th</sup> Floor, Frost Building South  
7 Queen's Park Crescent  
Toronto, ON  
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Dear Minister Sousa:

On February 25, 2016, you put forward the Liberal Government's 2016 Budget for the Province of Ontario. This budget outlined the Government's intention to implement a Cap and Trade program as a market-based mechanism for establishing a price on greenhouse gases and provided forecasts regarding what this will mean to the costs of fuels for transportation and home heating.

The Budget was quite specific in noting there would be an estimated increase cost to gasoline of 4.3 cents per litre and that natural gas would increase by 3.3 cents per cubic metre. Conspicuously absent from transportation fuels was any mention of diesel fuels. Considering diesel makes up more than a quarter of the overall transportation fuel mix in Ontario, the absence of a line item noting a change to diesel costs suggested that diesel would not be subject to the same regulatory compliance fees associated with gasoline.

Shortly following the release of the 2016 Budget, on February 29<sup>th</sup> of last year, Minister Leal was asked directly by a reporter from RealAgriculture.com whether or not the new fuel costs would apply to coloured diesel. The Minister responded emphatically that there would be "no changes in terms of the budget in terms of coloured fuel in the province of Ontario" and that the tax status of coloured diesel will "stay the same". This response from Minister Leal coupled with the absence of any mention of Cap and Trade regulatory costs being applied to diesel fuels in the 2016 Budget served to misled the agricultural sector to believe that diesel fuel, and more importantly coloured diesel fuel, would be exempt.

Notwithstanding this disappointing process and outcome, the fundamental issue at stake is that Ontario's farm operations face significant competitive challenges in the production of agricultural products. The task of growing biological organisms subject to variable weather conditions creates high risk and vulnerability to production, especially when the vast majority of our products are marketed in a domestic or international marketplace where competition is strong, margins are tight, and the farmer has little or no ability to influence the price they receive for the good food they produce.

While very much concerned with our competitive position, Ontario farmers were prepared to work within a Cap and Trade System, because we felt that farmers can be part of the low-carbon solution. We have worked to develop protocols for recognizing carbon reduction and sequestration as we looked towards capitalizing on carbon trading to help offset the impacts of carbon pricing.

Although farmers have made great strides towards reducing fossil fuels used to grow food, agricultural production still relies on diesel, natural gas and other fuels to run farm machinery, provide heat, and generate power. At this time neither the Climate Change Action Plan nor the prospect of agricultural offset credit generation shows any promise of relieving the economic pressure on our farmers resulting from the Cap and Trade System. It is expected that this pressure will only get worse as the cap on emissions decreases and the price of carbon increases over time.

Given that agriculture can be a vital part of the low-carbon economy solution, but is now being negatively impacted by carbon pricing without opportunity to offset the additional input costs, OFA and its agricultural commodity partners demand that the Ontario Ministry of Finance develop a program by which agricultural producers can avoid the additional costs to farm fuels resulting from Ontario's Cap and Trade system through exemption or rebates.

Other jurisdictions that have placed a price on carbon have recognized the potential harm to their agricultural sectors and removed the carbon price on fuels necessary in the production of food. In the interest of maintaining Ontario's food security, and in the interest of fairness to our farmers, it is imperative that the Ontario Government provide relief for the price of carbon on farm fuels.

On behalf of Ontario's agricultural producers, we are prepared to work with the Ministry of Finance to develop a practical solution for our farmers to rebate the added costs to farm fuels resulting from Cap and Trade.

We look forward to these efforts.

Sincerely,



Keith Currie  
President

cc: Hon. Kathleen Wynne, Premier of Ontario  
Hon. Jeff Leal, Minister of Agriculture, Food and Rural Affairs  
Hon. Glen Murray, Minister of Environment and Climate Change  
Ontario Commodity Organizations