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Regarding the Clean Fuel Standard (CFS) Regulatory Design Paper

Mister Carruthers,

We appreciate this opportunity to provide comments related to the Clean Fuel Standard Regulatory Design Paper. The Ontario Federation of Agriculture (OFA) is Canada's largest voluntary general farm organization, representing more than 38,000 farm family businesses across Ontario. Agriculture and agri-food businesses are leading economic drivers for the province, contributing nearly \$40 billion in GDP and employing over 822,000 Ontarians. These farm businesses form the backbone of our robust food systems and rural communities, with the potential to drive our economies forward.

OFA supports a Clean Fuel Standard requiring higher ethanol content and other green sustainable fuels into our energy streams. We recognize the federal government intention that a Clean Fuel Standard should complement Canada's approach to pricing carbon pollution by driving investments in cleaner fuels and fuels technology.

OFA recommends the federal government also consider other formative findings from foundational papers that led to Canada's approach to pricing carbon pollution; *The Pan-Canadian Framework on Clean Growth and Climate Change*, and the *Senate Committee on Agriculture and Forestry Report: Feast or Famine: Impacts of Climate Change and Carbon Pricing on Agriculture, Agri-food and Forestry*.

Carbon pricing initiatives make food more expensive. Farmers, operating with a Clean Fuel Standard and a carbon price, pay more for fertilizer, packing, transportation and fuel—particularly for energy-intensive production. Farmers are price takers, and international commodity markets and domestic wholesale markets will not incorporate the cost of carbon into agricultural commodity prices.

The Ontario Federation of Agriculture recommends that Clean Fuel Standard design and delivery should recognize the early actions and continued value of agriculture's role and achievements in environmental stewardship, by supporting agricultural climate change research and tools meant to build adaptation and resiliency.

Under a Clean Fuel Standard regime, agriculture also needs assurances that the federal government will act to advance the competitiveness of Canadian agricultural export products. And, to attain this resiliency and competitiveness, the federal government needs to support a bio-economy strategy designed to develop sustainable agricultural products and supply chains.

Governments clearly understand the risks of losing large carbon emitter manufacturing to foreign markets, markets where producers do not bear these additional, carbon-related costs. But there is also a genuine risk of leakage from our agricultural sector; every time a domestic farmer fails to compete with a foreign producer, unburdened by carbon-related costs, we risk permanently losing that market.

When we experience agriculture production leakage, a decrease in production in Canada with an associated increase in other countries without carbon pricing, there is either no net change, or an increase in global carbon emissions.

OFA recommends that all farm fuels be exempt from a carbon pricing fuel tax.

The *Senate Committee on Agriculture and Forestry Report* noted that producers and consumers will suffer hardship from the imposition of carbon pricing. And the Committee concluded that we should strike a balance between protecting the environment and supporting the foundation of Canada's economic well-being — workers and consumers.

The Committee made several recommendations meant to shield agriculture producers and consumers from being unduly affected by carbon pricing including recommendations for Environment and Climate Change Canada (E&CCC) to:

- develop agricultural producer offset protocols to generate carbon credits income
- consider exempting fuel costs for farm heating, cooling (and ventilation) systems, propane and natural gas fuelled farming activities from carbon pricing

Related to the Clean Fuel Standard Voluntary Credit Generator: the OFA recommends the government of Canada support voluntary credit aggregation for agricultural sectors. The Ontario Federation of Agriculture recommends agricultural biogas producers and agriculturally produced RNG co-op business cluster models be eligible for voluntary credit aggregation and trading.

The Senate Committee highlighted innovative approaches already being implemented by agriculture and agri-food—ingenuity to be encouraged. To that end, the Senate Committee recommended the federal government:

- ensure research funding is available to determine the most effective and economical investments in climate change action, and
- encourage the use of new, less carbon-intensive materials, and new technologies that trap carbon.

OFA urges the federal government to act on these recommendations so that Canada's farm producers and consumers are insulated from carbon price-related costs as we continue to battle the effects of climate change.

As with environmental stewardship, agricultural producers should be rewarded for their best management practices and for carbon sequestration, to not only make them more resilient but also reduce their greenhouse gas emissions. Such management practices include protecting, building and maintaining natural wetlands, windbreaks, and riparian buffer strips, which increase ecological diversity, reduce runoff from fields into water bodies, build soil organic carbon, and contribute to system resilience.

Highlighted in the *Pan-Canadian Framework 2018 Implementation Status Report* as important for advancing emissions management practices in Ontario;

- investment in environmental stewardship activities that support on-farm soil and water quality activities and collaboration with partners to increase adoption of best management practices that improve the agriculture and food sector's resiliency to climate change risks, such as droughts and flooding, extreme weather, and new pests and diseases.
- Support for climate-related research connected to priorities such as: adaptation, soil health, water quality, pollinator health, resilient municipal infrastructure, and reducing greenhouse gas emissions to address challenges facing our agri-food sector and rural communities.

Ontario producers continually seek innovative ways to acknowledge the value farmland provides in ecosystem services. We recommend support for continued adoption of improved management practices, through incentives and program support provided by federal, provincial and territorial governments. These services could be rewarded through incomes funded from a carbon tax and the ability for farming to earn voluntary credits.

For farming reliant on export markets, Canada's carbon pricing policies will make their products less competitive internationally, because our carbon-related costs cannot be passed on to consumer markets. This is a critical concern for highly traded sectors such as beef, pork, grains and oilseeds. Domestic producers have no way of passing on additional costs of carbon pricing, because commodity prices are set globally, resulting in lower producer incomes.

Finally, we recommend that Canada collaborate with other governments to establish a schedule for increased North American blend mandates for ethanol in gasoline aligned with Canada.

Sincerely,



Keith Currie,
President