

April 19, 2019

The Honourable Bill Morneau
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, ON
K1A 0G5

Via Email: fin.tarification-pollution-pricing.fin@canada.ca

Dear Minister Morneau,

**Re: The Proposed Refinements to the Federal Carbon Pollution Pricing System
Expanding Relief of the Fuel Charge for Farmers**

The Ontario Federation of Agriculture (OFA) is Canada's largest voluntary general farm organization, representing more than 38,000 farm family businesses across Ontario. These farm businesses form the backbone of a robust food system and rural communities with the potential to drive the Ontario economy forward.

OFA is pleased to provide comments on the Proposed Refinements to the Federal Carbon Pollution Pricing System (CPPS) to Expand Relief of the Fuel Charge for Farmers.

Canadian agriculture has made and will continue to make significant inroads to reducing greenhouse gas emissions. The nature of agricultural production and its position as price-taker in global markets requires farmers to continuously strive towards greater efficiencies to manage production input costs. These efficiencies predictably come with associated reductions in greenhouse gas emissions. Farmers will continue to do their part to address climate change.

OFA believes that no provincial or federal climate change policies should have the effect of negatively impacting the ability of Canadian farmers to compete in domestic or international markets. Farmers compete in a global market with little to no control over prices they receive for their products and have little to no ability to transfer increases in the costs of production on to consumers.

OFA strongly recommends that the agricultural sector should have an across-the-board exemption from the Federal CPPS given the proven trade-exposure, threats to competitiveness, and threats to food security.

The Federal CPPS recognizes certain farm activities may be exempt from the carbon charge. This includes an 80% exemption of the carbon charge on propane or natural gas used to provide heat and/or CO₂ to greenhouses. With the high cost of energy inputs, greenhouse growers have already been driven towards adopting high efficiency technologies in their operations, leaving little room to provide additional emissions reductions.

The Ontario Federation of Agriculture strongly recommends expanding this exemption so that;

- 100% of fuel carbon charges be exempt for fuel used to heat or supply CO₂ to greenhouses, **and** exemptions should also apply to fuel used to cool agricultural product buildings.

The stipulation of eligible greenhouse should be expanded to include any covered agriculture buildings where all or substantially all space is used for the growing of vegetables, fruits, bedding plants, flowers, ornamental plants, tree seedlings, medicinal plants or other plants. We recommend:

- the definition of greenhouses be expanded to include covered agriculture buildings used to grow plants.

Further, while greenhouse production will benefit from the natural gas and propane carbon charge exemption, the CPPS fails to capture this benefit for the broader agriculture sector. OFA recommends;

- the federal CPPS allow all farm operations to be eligible for a carbon charge exemption for natural gas and propane used to heat or cool any farm building used for allowable farming activities.

Although propane and natural gas are the most prevalent fuels used for agriculture building HVAC systems, pipeline infrastructure limitations, capacity constraints and regional differences are common reasons producers are sometimes forced to use other fuels. OFA recommends;

- the list of carbon charge exempt fuels should be expanded to include butane, kerosene, diesel, and combustible waste used for Combined Heat & Power and HVAC systems in farm buildings.

The Federal Carbon Pricing System recognizes certain farm activities using gasoline and diesel fuels in allowable motors and vehicles may be exempted from the carbon charge. We recommend that farm activities and fuels should also include:

- heating all farm buildings or other structures necessary to produce farm commodities. This includes fuels used to dry grains, cure tobacco, produce maple products, heat or cool buildings used to maintain perishable commodities, or to manage and produce farm animals.

Related to distribution by registered fuel suppliers, OFA is pleased that the federal government has reconsidered the application of fuel delivery – defined in the regulations as *making a fuel available* – to also include card lock facilities. While this is a move in the right direction, many

farm operations do not have reasonable access to competitively priced farm fuels through a fuel supplier or a cardlock facility, due to regional constraints, competitive retail prices vis-a-vis wholesale, safety and security concerns or poor experiences with on-farm fuel tanks. It is also not practical for all farm scales to have large on-farm fuel containers. The Ontario Federation of Agriculture recommends the federal government;

- extend the definition of *making a fuel available* to include retail service stations. Farmers should be able to submit a declaration to CRA, supported with receipts and reasonable log records to prove a rebate on carbon charges for gasoline and diesel fuels delivered through retail fuel stations and used for allowable farm activity in allowable farm machinery.

During the lead-up to the April 1, 2019 implementation of the Federal Carbon Pricing System in listed provinces, and even considering the available CRA Fuel Technical Information, many fuel delivery companies were misinformed or misunderstood their Registered Fuel Distributor obligations. Some suppliers requested farmers complete CRA L400 Fuel Charge Registration, instead of an exemption declaration. Many suppliers also refused to accept the correct declarations from farmers: CRA L402 Fuel Charge Exemption Certificate for Farmers; and CRA L404 for Greenhouse Operators. We recommend the federal government work with CRA:

- to make plain language documents available, especially when considering the introduction of new filing requirements.

Even considering efforts of some registered fuel distributors, farm organizations and accountants to help circulate correct information, there are numerous instances where farmers were unaware of the requirement to present an exemption before purchasing fuel with the carbon charge. Regulations under the Act are in place to address; set-off rebates, record keeping, and assessments. We recommend the federal government work with CRA:

- to allow farmers, within four years, to claim a rebate of amounts paid in fuel carbon charges, should amounts have been eligible for point of sale exemptions, if only the farmer had provided an exemption certificate to the fuel supplier before the fuel was delivered.

A rebate process will address instances where exemption declarations were not presented for purchases after April 1, 2019, and, should the federal government reconsider extending the definition of *making a fuel available* to include retail service stations, instances where exemption declarations had not yet been put in place.

In proposing a complete exemption for the carbon charge on all farm fuels, we considered the risks of carbon leakage to agricultural production. We also considered the areas farmers still pay the carbon charge passed on by primary input suppliers of fertilizers and crop treatments, containers and packaging, and from deliveries to farms or transport of commodities to market. These carbon charges are absorbed by farm operations and in most instances cannot be passed through to wholesalers or retailers, where prices are often based off commodity exchanges. Most farmers do not have the ability to pass higher unit of production costs to those who purchase what we produce.

Sincerely,



Keith Currie
President

cc: Honourable Marie-Claude Bibeau, Minister of Agriculture and Agri-Food Canada
Honourable Ernie Hardeman, Ontario Minister of Agriculture, Food and Rural Affairs
Honourable Rod Phillips, Ontario Minister of Environment, Conservation and Parks
Mary Robinson, Canadian Federation of Agriculture President
OFA Board of Directors