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# Standing Committee on Agriculture and Agri-Food

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Chair: Mr. Pat Finnigan



## Standing Committee on Agriculture and Agri-Food

Thursday, April 29, 2021

• (1530)

[Translation]

**The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)):** Good afternoon and welcome to you all.

I would also like to welcome Mr. Regan, who is replacing Mr. Drouin.

[English]

I'll call this meeting to order.

Welcome to meeting number 29 of the House of Commons Standing Committee on Agriculture and Agri-Food.

Pursuant to the order of reference of Wednesday, February 24, 2021, and the motion adopted by the committee on March 9, 2021, the committee is resuming its study of Bill C-206, an act to amend the Greenhouse Gas Pollution Pricing Act, regarding qualifying farming fuel.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, 2021. Therefore, members are attending in person in the room and remotely using the Zoom application.

The proceedings will be made available via the House of Commons website. Just so that you are aware, the webcast will always show the person speaking rather than the entirety of the committee.

I'd like to take this opportunity to remind all participants of this meeting that taking screenshots or taking photos of your screen is not permitted.

[Translation]

I would like to remind you of a few rules in order to ensure an orderly meeting. Please wait until I call on you before speaking. If you are participating via video conference, click on the microphone icon to unmute your microphone. As usual, the microphones of the participants who are in the room will be controlled by the proceedings and verification officer. I would also remind you that all comments from members and witnesses should be addressed through the chair. Please mute your microphone when it is not your turn to speak.

[English]

I would now like to welcome our panel of witnesses for our first hour.

Today, our first witness is no stranger to this committee.

[Translation]

Mr. Sylvain Charlebois, welcome.

[English]

He is a professor and the director of the agri-food analytics lab at Dalhousie University. From the David Suzuki Foundation, we have Tom L. Green, senior climate policy adviser. We also have, from the Pembina Institute, Isabelle Turcotte, director, federal policy.

We'll start with opening statements—five minutes per organization.

[Translation]

Mr. Charlebois, we will start with you. You have five minutes.

[English]

**Dr. Sylvain Charlebois (Professor, Dalhousie University, Director, Agri-Food Analytics Lab, As an Individual):** Thank you very much, Mr. Chair and dear members.

Climate change is a real problem and concerns us greatly. Everyone agrees that we need to act quickly. The carbon tax seems to provide a simple and fair solution, but for farmers, a \$170-per-tonne carbon tax is a game-changer. By 2030 a typical 5,000-acre farm would have to shell out a significant sum, which could reach tens of thousands in new tax based on some estimates, and without compensation. This is enough to compromise any farm's ability to make a profit. Across the food supply chain, not all carbon taxes are created equal.

Furthermore, the impact of a \$170 tax on the competitiveness of the sector will depend greatly on what happens at Canada's borders and beyond. Given the competitiveness of national and international food markets, a \$170 tax per tonne imposed in Canada but not imposed in other major exporting and importing countries will undoubtedly penalize our own farmers. Producers cannot increase their prices even if production costs increase on the farm. This is quite simply price-taking economics. Unlike the food processing and distribution sectors, this economic reality afflicts production significantly. By taxing our domestic food production, importers will have a significant competitive advantage. Protecting our own farmers is imperative.

Farmers are among the best environmental stewards in the world. They earn their living mainly by having access to abundant natural resources. Environmental recklessness is just not an option for them. In fact, many Canadians are not aware of how much carbon sequestration does occur at the farm gate. In the last 30 years, we have seen more technological changes on farms in Canada than in grocery stores. This may explain why Canadians may underappreciate the progress made by farmers regarding sound environmental practices over the last generation.

One example is the fact that there is little tillage being done on the Prairies. Manitoba still tills to some extent, but that is due to the heavy clay soils that must be dried out over several years in order to facilitate seeding. An unreleased study by Dr. Stuart Smyth and Chelsea Sutherland from the University of Saskatchewan looks at carbon sequestration on the farm. Tillage practices pre-1995—pre-GM herbicide-tolerant canola—are compared with 2016 to 2019 rotation data. Continuous cropping allows for ongoing CO<sub>2</sub> sequestration. Removing tillage has greatly reduced the amount of soil carbon that is released into the atmosphere.

Such progress is largely due to research in genetic engineering. Farmers have embraced these new technologies, allowing agriculture to reduce its carbon footprint. In lieu of being unfairly targeted, the work that farmers are doing should be celebrated and recognized. Incentives to make big changes are lacking. For example, there is no technological substitute for propane to dry out grain at harvest. We need to develop new technologies to offer environmental options to our producers.

Safeguarding our farmers' competitiveness while assuring Canada of more food autonomy will be critical, especially if our country aspires to reach our goal of becoming an agricultural powerhouse, as set by the Barton report a few years ago.

• (1535)

[Translation]

I would also like to give the committee an important message which goes beyond agriculture. You should know that consumers are facing big risks as well. Farmers are still claiming that the price of food will go up because of the carbon tax, which will be \$50 per metric ton next year. This is not really true. Quebec and British Columbia have had a carbon tax since 2007 and 2008 respectively and food prices have barely budged.

If, however, the carbon tax increases to \$170 a ton, it would be risky to downplay any potential effect on food affordability without conducting an in-depth evaluation.

Obviously, more research needs to be conducted, but a considerable hike in food prices is certainly possible.

**The Chair:** Thank you, Mr. Charlebois. We will now go to the next witness.

[English]

Now we will have, from the David Suzuki Foundation, Mr. Green, for up to five minutes.

Go ahead, Mr. Green.

[Translation]

**Mr. Tom L. Green (Senior Climate Policy Advisor, David Suzuki Foundation):** Thank you very much.

[English]

Thank you for the opportunity to appear before the committee today.

Canada faces a climate emergency that is resulting in more extreme weather—from heat waves to droughts to floods. I was moved by the testimony before this committee last week from Karen Ross of Farmers for Climate Solutions on challenges that farmers face as climate change exacerbates extreme weather events.

The David Suzuki Foundation has long advocated for pricing carbon pollution, and we have played an important role in advocating for B.C.'s precedent-setting carbon tax. We also intervened before the Supreme Court of Canada in a recent reference case. The court affirmed the importance of ensuring carbon pollution is priced across the federation. The court acknowledged that climate change poses a grave threat to humanity's future and described it as “a threat of the highest order to the country, and indeed to the world.”

Why put a price on carbon pollution? As Clean Prosperity explains, putting a price on carbon “sends a powerful signal across an entire economy to reduce its carbon footprint, and unlocks the zero-emissions technologies we need.”

I'd like to acknowledge that we've reached a watershed moment when we have achieved consensus across the political spectrum on the need to price carbon pollution.

However, Bill C-206 would erode the Greenhouse Gas Pollution Pricing Act. It is the wrong solution. It sends the wrong signal and is likely to create pressure from other sectors to get their own carve-outs.

We appreciate that many farmers are already working hard to mitigate emissions, use soil management practices to help store carbon and rebuild local biodiversity. To stay on course for 1.5° C of temperature change between now and 2030, we need to be reducing emissions by about 7% a year across the economy.

Bill C-206 has been presented as a way to support farmers by reducing their energy costs, particularly grain drying costs, in federal backstop jurisdictions. However, the effect of this amendment is to introduce a new, inefficient fossil fuel subsidy. In 2009, Canada and the G20 leaders agreed to phase out inefficient fossil fuel subsidies. Adding a new subsidy in 2021 is particularly problematic. According to the Parliamentary Budget Officer, this fossil fuel subsidy would cost the federal government \$47 million in 2021, rising to \$60 million by 2024-25.

We note that since this legislation was first proposed, budget 2021 was announced, and it specifically attends to the energy costs faced in the agricultural sector and its unique transition. It provides \$10 million to help farmers adopt clean energy solutions and to begin transitioning off fossil fuels, \$50 million to help farmers purchase more efficient grain dryers, and approximately \$100 million of the money that farmers currently pay in carbon levies on natural gas and propane will be rebated back to farmers.

Such grants and rebates are a better solution than Bill C-206. It preserves the price signal, rewarding agricultural producers and innovators who come up with ways to reduce reliance on fossil fuels in agricultural operations. It will better position the sector to compete as climate ambition ramps up around the world. Bill C-206 may reduce energy costs in the short term, but it doesn't help position Canada's agricultural sector to the inevitable need to ratchet down fossil fuel consumption, improve energy efficiency and switch to clean energy sources.

Replacing a price on carbon with an additional fossil fuel subsidy sends precisely the wrong signal. At a time when all of Canada's main political parties have declared their support for pricing carbon pollution, it is an approach that will add to our mitigation challenge and the threat of climate change. It is also misaligned with our commitment to eliminating fossil fuel subsidies.

In conclusion, the David Suzuki Foundation urges the committee to vote against this bill, the effect of which is to create a new fossil subsidy and erode carbon pricing.

What we've seen in other sectors is that there is this idea that the technologies are not available that would reduce reliance on fossil fuel subsidies or be more energy efficient. We need the price on carbon pollution to create the incentive, and already these kinds of solutions are starting to appear across the economy.

• (1540)

[Translation]

Thank you for giving me the opportunity to speak to you today. I will be pleased to answer any questions you may have.

**The Chair:** Thank you, Mr. Green.

We will now hear Ms. Isabelle Turcotte, from the Pembina Institute.

Madame Turcotte, the floor is yours for five minutes.

[English]

**Ms. Isabelle Turcotte (Director, Federal Policy, The Pembina Institute):** Good afternoon, Mr. Chair and members of the committee. I am Isabelle Turcotte.

The Pembina Institute is a non-profit think tank, and we advocate for strong, effective policies to support the clean energy transition. We've worked a lot on carbon pricing at the national and provincial level.

Much has changed since Bill C-206 was introduced in the House in February 2020. The U.S. administration now recognizes the existential threat to our well-being and prosperity that climate change represents. The legal debate on carbon pricing has been settled, and with a new climate plan that acknowledges the most efficient way to reduce our emissions is to use pricing, the Conservative Party of Canada has ended the political debate.

This is all great news for Canadians.

The conversation on raising climate ambition is picking up momentum following the Leaders Summit on Climate on April 22. Around the world, thousands of people mobilized to make this meeting a meaningful stepping stone to COP26, including here at home, where Canadians want to see more action on climate according to a recent survey by ECCC on Canada's "nationally determined contribution". This will require steep and sustained emissions reductions across the economy.

Agriculture accounts for 8% of Canada's emissions, at 59 megatonnes, and enteric fermentation and agricultural soils really represent the lion's share of that. I provide some data in my submission on the breakdown, for those who have the written document, but essentially the point is that the 59 megatonnes excludes combustion emissions, which represents approximately 13 megatonnes of emissions.

The climate emergency and the increasing demand for low-carbon products, including in the agricultural sector, require that we address all of these emissions.

Let's first consider combustion emissions. In the provinces where the backstop is applied, the federal fuel charge does not apply to gasoline and diesel used in tractors, trucks and other machinery used on farms, so there is a lot of relief that is supplied there to farmers. A study that was conducted in 2019 estimates that the impact of the cost of carbon pricing in relation to grain drying, which is not exempt, ranges from 0.05% to 0.38% of net operating costs for an average farm, equivalent to \$210 to \$774. These results do not include the carbon pricing rebate offered to farmers, which has increased with budget 2021. It is also worth noting that the study highlights that heating fuels and electricity represent the smallest sources of costs for farmers.

A cost-saving strategy for farmers should really focus on reducing fertilizer and lime use, as suggested by this study.

We are sensitive to the fact that farmers cannot pass on costs to consumers. We're also of the opinion that the best way to shelter farmers from the price on carbon is to reduce carbon emissions. Canadians value their farmers and the essential work that they do, and we want them to thrive.

We support measures that help farmers make investments toward that goal, and we welcome the budget 2021 announcement to return more carbon-pricing revenues to farmers and make \$50 million available for the purchase of efficient grain dryers.

It is worth noting that domestic grain dryer alternatives and technological innovations are already occurring in response to the carbon pricing. For example, a Manitoba company, Triple Green Products, produces biofuelled heating, composting and dehydrating systems used in mining, agriculture, industrial and other applications.

Let's quickly consider agriculture's largest sources of emissions. These sources are not priced under the federal carbon pricing system.

Budget 2021 also puts in place measures to support non-combustion emissions reductions, including \$200 million for on-farm action improving nitrogen management, increasing adoption of cover cropping and normalizing rotational grazing. There is money, as well, for wetlands and trees on farms, and moneys for clean energy and moving off of diesel.

In conclusion, to echo my colleague Karen Ross at Farmers for Climate Solutions, who presented to this committee before me, Canadian farmers want to lead on climate change. Conversations that narrowly focus on diluting the price signal that is needed to promote investment in innovation and emissions reduction do not support this ambition.

We believe that farmers and Canadians more broadly would be best served by building on the recent announcements of measures supporting farmers, and to support the innovative farmers across the country who are already reducing emissions, increasing our climate resilience and preparing for that global decarbonized economy.

Thank you.

• (1545)

**The Chair:** Thank you, Ms. Turcotte.

Now we'll go to our question round.

We'll start off with a six-minute round of questions by Monsieur Lehoux.

[*Translation*]

Mr. Lehoux, you have six minutes.

**Mr. Richard Lehoux (Beauce, CPC):** Thank you, Chair. I will be sharing my time with Mr. Philip Lawrence.

My question is for Mr. Charlebois.

Mr. Charlebois, you began by stating that farmers are doing a good job of protecting the environment, thanks to various soil tillage practices. They have made huge strides.

Do you know if there are other ways of drying grain that do not necessarily use propane or natural gas, especially in Quebec?

**Dr. Sylvain Charlebois:** Thank you for your question, Mr. Lehoux.

There aren't really any other options. Actually, there are a few, but they cost more and they are not as efficient.

We have to understand that farmers don't control market rules. Many people do not understand how vulnerable farmers are and that they are at the mercy of the markets.

A carbon tax increase could prevent producers from being more competitive and could even lead to some farms going under. Several farms have already gone belly-up. The tax could increase the rate of farm bankruptcies over the next few years.

**Mr. Richard Lehoux:** You've stated that the \$50 tax will climb up to \$170, which is a pretty big jump. Businesses could find themselves in dire straits when it comes to competitiveness and export capacity.

**Dr. Sylvain Charlebois:** Absolutely. I saw no problem with a \$50 tax, because that amount had been recommended on the basis of case studies. By imposing a \$170 tax, the government is clearly showing its commitment, which is great, but it also has to take into account the policy's effects on our farms.

**Mr. Richard Lehoux:** Mr. Charlebois, we know that hydroelectricity could be a useful resource in Quebec, but not at the rate that producers currently pay.

Should we be doing research on alternative energy sources?

• (1550)

**Dr. Sylvain Charlebois:** While I was preparing for today's meeting, I realized that we do not know enough about the effects of the carbon tax on agri-food sectors from farmgate to table.

I spoke earlier about food prices. Not much research has been done and we don't necessarily understand the effects on agricultural production either.

You are right, more research is essential.

**Mr. Richard Lehoux:** Thank you, Mr. Charlebois.

I will now give the rest of my time to Mr. Lawrence.

[*English*]

**Mr. Philip Lawrence (Northumberland—Peterborough South, CPC):** Thanks very much.

Thank you all for being here, and thank you for your testimony.

Mr. Charlebois, you didn't get through your initial comments, and I'd like to give you a bit of time to do so, if there's anything you want to say to the committee right now.

**Dr. Sylvain Charlebois:** Thank you, Mr. Lawrence. I provided the main points I wanted to provide. The last part of my opening remarks was very much about the consumer. I've been very concerned about the affordability of food.

It's been argued several times now in the media and elsewhere that the carbon tax would have a huge impact on food prices over time. My answer to that is that I don't know. We don't know for sure. As I said to Mr. Lehoux, at \$50 there's one discussion, and at \$170 there's a totally different conversation. I think this warrants a thorough evaluation of how the carbon tax could impact food affordability for Canadians over time.

**Mr. Philip Lawrence:** I'll go over to you, Mr. Green. Thank you for fighting climate change. We all appreciate that.

My concern is with respect to other technologies. You seemed to gloss over that. One was mentioned in some of the testimony, but we only have one.

Do you know of any technology right now that is feasible and that could be adopted by all farmers within the next three years?

**Mr. Tom L. Green:** First of all, we know that there are inefficient and more efficient grain dryers, and already farmers are investing in the more efficient ones.

We did a study called "Zeroing in on Emissions". We looked across the economy at studies on how we can decarbonize as a result of carbon prices. What we're talking about in grain drying is a low-temperature heat, compared with the very high-temperature heat that industrial processing may need. That's a perfect application for heat pumps.

There are some heat pump dryers that are already available on the market. I did some reading on this to look into this very question. By having a price signal, this will be incentivized. Different approaches will be developed and—

**Mr. Philip Lawrence:** What I don't—

**Mr. Tom L. Green:** What I recommend to the committee is to design an approach such as rebates. It is a much more effective way to address this problem.

**Mr. Philip Lawrence:** I don't disagree with you that there could be innovation in the future. The problem is that it's not in the market currently—or if it is, it's a very small portion—and to adopt it would take years.

You mentioned the rebates, but that has only been proposed in a Liberal budget. There's no legislation. That could take years. We're still waiting for pharmacare and child care, among other things. This is decades in the making.

Are you aware, yes or no, of any technology that could be adopted?

**The Chair:** Thank you, Mr. Lawrence. Unfortunately you're out of time.

We'll move to our next member.

[*Translation*]

Ms. Bessette, you have six minutes.

**Mrs. Lyne Bessette (Brome—Missisquoi, Lib.):** Thank you, Mr. Chair.

I would like to thank the witnesses for being here with us today.

My first question goes to Mr. Green, from the David Suzuki Foundation.

Mr. Green, can you please tell us about the effects that climate change will have on the Canadian agriculture sector over the next few decades?

**Mr. Tom L. Green:** Thank you for the question, Ms. Bessette.

We know that Canada is particularly vulnerable to the effects of climate change and that the effects here will be double those felt on average overall. We are witnessing more extreme events, like the floods in Quebec and the forest fires in Fort McMurray and in my own province, British Columbia, as well as increasing periods of drought.

Farmers and all of society will suffer. Costs will go up each year if we do not take more measures to eliminate our greenhouse gas emissions.

• (1555)

**Mrs. Lyne Bessette:** Thank you.

Am I right in saying that in the long term, carbon pricing and reducing greenhouse gas emissions will have positive repercussions on the agriculture sector?

**Mr. Tom L. Green:** Yes. Carbon pricing has been in place in my province since 2008. We have seen that when carbon pricing was imposed, all sectors started to make changes to their operations. New technologies arrive on the market and manufacturers can sell their products to other provinces and countries.

So there has been a positive side effect to carbon pricing. According to our analysis, as well as that done by the Canadian Institute for Climate Choices, we will see energy costs go down in the long term, even with carbon pricing, because there will be gains in efficiency. Moreover, Canada is very well placed in terms of renewable energy sources.

**Mrs. Lyne Bessette:** Thank you.

Representatives of the agriculture sector have stated that natural gas should be exempted from the carbon tax because it is a relatively clean fuel.

Is this true? If this is the case, why do you think that natural gas and propane weren't exempted in the bill from the start?

**Mr. Tom L. Green:** Propane and natural gas are both greenhouse gases. I do a lot of work on methane. Natural gas is mainly composed of methane, which is a much more potent gas than CO<sub>2</sub>. When there are methane leaks, it is a huge problem.

Since we have to reduce greenhouse gas emissions in all economic sectors, we should be seeking to eliminate them where we can in all sectors.

**Mrs. Lyne Bessette:** Thank you very much, Mr. Green.

I turn now to Ms. Turcotte.

Some witnesses have told our committee that we don't yet have a practical alternative to use as fuel for drying grain and heating enclosures.

Where is science at on this? Does your organization know of any possible solutions that would help us make the transition?

**Ms. Isabelle Turcotte:** Thank you for the question.

As I stated in my presentation earlier, agriculture is not a sector that I follow closely. Nonetheless, we know of a company in Manitoba that manufactures a grain dryer that would enable farmers to reduce their greenhouse gas emissions.

We can confirm that carbon pricing has been effective. We established that carbon pricing sends out a price signal which has created, for those entrepreneurs seeking opportunities, an incentive to offer new technology on the market. This technology, along with the financial support provided in the 2021 budget, will be made available to farmers.

This dynamic increases with carbon pricing. What's more, when the price increases gradually over time, it creates a stable environment for investments. This is what we are seeing in all economic sectors, including those with big industrial GHG emitters.

It is true that emissions are hard to bring down in some sectors because their emissions are linked to processes. However, we should not let this factor stop us, because we know full well that all of the countries that signed the Paris Agreement see economic opportunities in decarbonizing the economy. These countries are looking for market opportunities and are investing in research and development so that their businesses can become leaders in the field.

**The Chair:** Ms. Bessette, Ms. Turcotte, thank you.

Mr. Perron, you have the floor for six minutes.

**Mr. Yves Perron (Berthier—Maskinongé, BQ):** Thank you very much, Mr. Chair.

I would like to thank all the witnesses who are here with us today. We are happy to have you.

Ms. Turcotte, I have a question for you also. You were talking about the need to reduce greenhouse gases and I think we all agree that this is the ultimate goal. You also mentioned that grain dryers that reduce GHG emissions are being manufactured in Manitoba. Can you tell us how these new grain dryers work?

• (1600)

**Ms. Isabelle Turcotte:** From what I have read, the dryers use biomass.

**Mr. Yves Perron:** All right. They use biomass. We have looked at this possibility at previous meetings. Agricultural biomass is not really viable, as it is used to fertilize the soil. You could perhaps bring in forestry biomass, but that would entail other problems.

Since gasoline and diesel are already exempt, wouldn't logic dictate that propane and natural gas also be exempted because they produce, at least theoretically, less pollution? I have the same question for Mr. Green, who has also spoken about this issue. Ms. Turcotte, let's start with you. What are your thoughts on this?

**Ms. Isabelle Turcotte:** I would compare this to the type of protection given to our big GHG emitters under the pricing system based on performance. Every sector is given an emission intensity rate. Regardless of whether their emission rates are higher or lower than the set intensity rate, emitters are encouraged to make efforts to reduce their emissions, because they can exchange their carbon credits if they're under the set rate and if they continue to improve their environmental record. Our standards do actually offer some protection, but the signal, the incentive to do more, remains. We could have used the same concept or type of system for all fossil fuels. However, the decision was made to go in a different direction for certain fossil fuels in the agriculture sector.

**Mr. Yves Perron:** Thank you very much.

Ms. Turcotte, you and Mr. Green mentioned certain amounts announced in the budget.

My next question is for Mr. Green. Both of you have stated that giving an exemption sends a bad signal and that funds have been earmarked in the budget. There is \$10 million for clean energy, \$50 million for grain dryers and \$100 million in rebates.

Mr. Green, given Canada's vast size and the number of farmers, don't these amounts seem like small potatoes to you?

**Mr. Tom L. Green:** I wanted to stress the fact that this was a good approach. As to the amount of funds, your committee could recommend an increase. I agree that it will be expensive to make the transition everywhere in Canada by 2030. But the funds will continue to give a signal, which is very important for this initiative.

**Mr. Yves Perron:** Don't you think that billing farmers upfront and then giving them a rebate will make them dependent on the government and keep them waiting? This is perhaps not the best analogy, but it brings to mind the compensation offered in the wake of the trade accords that Canada signed, compensation that farmers have to wait five, six or eight years for.



Farmers are also wary of this type of situation. They are asking us to give them some room to manoeuvre so that they are able to innovate. I believe you stated earlier that farmers are already investing in more efficient grain dryers, but that they have no alternate fuels to replace propane or natural gas that would be cost-effective and good for their bottom line. By making these fuels exempt, couldn't we also invest these funds and keep farmers from being buried under paperwork by having to request rebates?

What are your thoughts on this issue?

**Mr. Tom L. Green:** Yes, there are other ways to offer the rebate. We have to retain the principle of a signal given by carbon pricing so that farmers who find ways to reduce their fossil fuel costs can be compensated and that inventors of new technologies are motivated to present alternate solutions on the market.

**Mr. Yves Perron:** I would suggest that more government support could help stimulate research and development.

I now have a question for Mr. Charlebois, seeing as my time is running out.

Mr. Charlebois, I was struck by your presentation. Indeed, I am struck each time that we meet. You spoke of carbon sequestration on farms. You said that this should be recognized. Given that I have very little time, I will just ask you a quick question.

Don't you think it is time to highlight this contribution and try to help farmers by recognizing their role as stewards of the environment by offering them a financial incentive? This could lead to innovation and better results.

What is your take on this?

• (1605)

**Dr. Sylvain Charlebois:** Absolutely, Mr. Perron. That's what the carbon tax does. Producers are seen as polluters, but they really aren't. They need nature to make a living. However, in my opinion, we're missing the opportunity to acknowledge their contribution to the environment.

There's the propane issue and all those sorts of things, but that's not all. Things have changed dramatically on the farm over the past 30 years. I don't think that we're taking the opportunity to acknowledge and properly assess their contribution in this area.

**The Chair:** Thank you, Mr. Charlebois and Mr. Perron.

[English]

Go ahead, Mr. MacGregor, for six minutes.

**Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP):** Thank you so much, Chair.

Mr. Green, maybe I'll start with you. I very much agree with you that carbon pricing is there to send a powerful signal that we need to change our ways and that it creates an incentive to find a less costly and ultimately less polluting way for people to operate in their lives. It has worked for me. I moved to an electric vehicle, and I'm already celebrating the reduced gasoline costs from that purchase each and every month.

I guess the problem I've had is that, in terms of the alternatives, your testimony has been refuted by farmers who actually dry their

grain. If we're trying to incentivize farmers into alternatives, I agree that's a very worthy goal, but right now, for farmers who dry tonnes and tonnes of grain every year... I did reference the biomass system that exists, and they said they're not really aware of that, and they're not sure that it can be scaled up to the level they actually need. It would also require them to take the crop residue off their fields each year, which would be an additional cost, but it would also rob their fields of that important carbon content that is needed to feed next year's crops.

I know that you've had versions of this question from my colleagues, but if there are no viable alternatives at this moment—this is what we're hearing first-hand from farmers—wouldn't Bill C-206 serve a useful purpose in giving them a financial break in the meantime, until these technologies come into existence?

**Mr. Tom L. Green:** The way the carbon price has been designed is that it started at \$20 a tonne and has been going up gradually year by year. This creates time to adapt.

I'm in favour of supporting farmers in this transition process through the revenue recycling, grants, research and so on that the federal government and others are undertaking. This makes sense to me. However, we have a bit of a chicken and egg problem. If you remove the carbon price here, there's no incentive to move forward with those technologies. Perhaps on some farms, farmers will start using an electric heat pump to heat their barns. Maybe the electricity connection isn't good enough for the scale of heat or electricity they will need. However, the utility won't be willing to expand until it knows that there's going to be demand for that, so we need to create these price signals across the economy.

However, there is a problem. I'm appearing today before the agriculture committee, but I could be before other committees in different sectors, and people could be asking whether we should be doing this, because the technologies are still nascent and need to be developed.

As I said, we need these price signals across the economy, and we need to move across all sectors. We're running out of time on climate change, and I think the committee can come forward to government with different ways of supporting farmers through this that maintain the pricing signal. Also, we don't want to create the idea that if you push hard enough, you'll get your own carve-out for carbon pricing, because pretty soon the overall scheme will be undermined.

**Mr. Alistair MacGregor:** I'll stop for a comment. You raise some fair points, but I think when it comes to agricultural emissions, we can be concentrating our efforts in far more efficient ways. Madam Turcotte already illustrated the release that comes from inefficient fertilizer use and the production of fertilizer. There are so many other emissions coming from farms that I think can be tackled. Also, we should give farmers recognition for good agricultural practices, regenerative farming, use of cover crops and no till. There are so many ways we can start giving them credit for the work they do. In my opinion, this is a very small and narrow band.

Professor Charlebois, I want to turn to you because there has often been a comparison between Bill C-206 and the measures that were announced in budget 2021 last week. Looking at the rebates being offered through budget 2021 and at what Bill C-206 is offering, can you, in the last minute and 15 seconds I have, give us your opinion on those two measures and which one you think is the best?

• (1610)

**Dr. Sylvain Charlebois:** I absolutely agree with you, Mr. MacGregor, about targeting. I don't think that propane is the right target. There are other things we can look at in farming that would probably be more beneficial for the environment.

The budget last week was satisfactory, I guess, and a good step forward, but I would argue that agriculture needs more support to become greener. My sense is that the budget last week was really more of a suggestion than anything else. As I said, it's a step in the right direction with the right tone, but more is needed to really make a difference. You're looking at several sectors, so to make a difference you need more capacity.

**Mr. Alistair MacGregor:** We heard testimony from Farmers for Climate Solutions, an organization that I very much admire for what they're doing. They said much the same thing. When you compare Canada's efforts with what European Union countries are doing, they are really leading the way with the kinds of supports they're giving agriculture and really fomenting the green revolution.

**Dr. Sylvain Charlebois:** It's nowhere near enough, though.

**Mr. Alistair MacGregor:** I see that my time is up, so thank you.

**The Chair:** Thank you, Mr. MacGregor.

I didn't notice you, Mr. Kurek, from the start, but I want to welcome you. I'm sorry. You were at the bottom of the screen, and I didn't see you.

We'll move to our second round, with Mr. Epp, for five minutes.

Go ahead, Mr. Epp.

**Mr. Dave Epp (Chatham-Kent—Leamington, CPC):** Thank you, Mr. Chair, and thank you to the witnesses.

I'd like to begin by making a statement. I am correcting the record. What we're talking about today is not a fossil fuel subsidy for agriculture. We're talking about mitigating a cost. There is a huge difference there. This is not a subsidy.

I'll begin with Mr. Green. I believe you're the one who made that statement.

Let's go to heat pumps. I am a farmer. I am from a grain-producing and vegetable-producing area, but I am not familiar with heat

pumps. To my knowledge, they are a long ways away from being a credible possibility.

We've heard much testimony—and you've stated yourself—that farmers are price-takers, so let's talk about the signal that we're talking about here. Who should pay the cost of the signal, in your opinion? Should it be the agricultural community or should it be Canadians as a whole?

**Mr. Tom L. Green:** First of all, I'd just like to point out that when I said “fossil fuel subsidy”, I based that on the WTO definition of subsidies: “a subsidy shall be deemed to exist if...there is a financial contribution by a government or any [other] public body within the territory of a Member...where [it] involves a direct transfer of funds”, which includes removing a tax. That's why I called it a fossil fuel subsidy.

Farmers are, indeed, price-takers, but they also take prices on things like natural gas inputs. One of the things we've seen is that, since 2006, the price of natural gas has dropped rather precipitously in Canada, much to the detriment of gas-producing regions in Alberta and British Columbia, for instance. It's one of many inputs and, as my colleague at the Pembina Institute testified, assessments of the costs don't show that it would undermine the viability of farms, especially if appropriate supports are made.

**Mr. Dave Epp:** Thank you, Mr. Green. My time is limited, and we'll get to the cost per average farm in the next panel.

I'd like to switch again to Mr. Charlebois.

It's good to see you again. You were quoted very recently in the Toronto Star with regard to rising food costs. Obviously, in that article, the carbon tax at the present levels was not one of the major drivers of that, but can you talk about rising food costs in the context of \$170 a tonne?

**Dr. Sylvain Charlebois:** That's a good question, Mr. Epp.

As I mentioned in my opening remarks, at \$50, there is no reason to be concerned about food affordability in the country. We do have a couple of cases with Quebec and B.C., and we haven't seen, really, any differences in terms of pricing patterns in both provinces over the last decade or so. However, \$170, I think, is a game-changer. I think we need to look deep into how that tax could impact food affordability over time. The entire supply chain will be impacted by the carbon tax, not just farming.

Again, I think the entire sector is very favourable to pricing carbon. There are good things coming out of this policy of pricing carbon. For example, we are seeing more nearshoring or onshoring in Canada. Kraft Heinz is investing in Canada. AB InBev is investing in Canada. This is because most multinationals are rethinking their green supply chains. There are quite a lot of positives, but at the same time, I think we need to evaluate exactly how the price of our food basket will be impacted by this carbon tax at \$170 by 2030.

• (1615)

**Mr. Dave Epp:** Thank you.

Can you talk about the efficiency of an exemption of a federal fuel charge administered by the CRA versus a rebate program? I know you began answering this earlier. Just talk about the efficiency across the value chain, please.

**Dr. Sylvain Charlebois:** I'm not sure I understand your question. I'm sorry.

**Mr. Dave Epp:** As far as costs to a system go in order for our agricultural systems to remain competitive, we've been talking about price signals, but what is more efficient about sending money in and getting some of it back versus an exemption and having other methods, too, that drive innovation to address climate change?

**Dr. Sylvain Charlebois:** I tend to agree with my fellow witnesses, Mr. Green and Ms. Turcotte, on incentivizing the sector to move, to do something. I agree.

However, this back-and-forth exchanging of funds is actually quite.... This bureaucracy will only impact the efficiency of the sector. I think we need to think hard about what we're doing with the funding and how we support the sector. That's why I'm very favourable to the bill because it will allow the sector to really focus on doing one thing, and that's focusing on change and becoming greener over time.

**Mr. Dave Epp:** Thank you.

I think my time is up, Mr. Chair.

**The Chair:** Yes, you're right on time. Thank you, Mr. Epp.

Thank you, Mr. Charlebois.

Now we have Mr. Louis for five minutes.

Go ahead, Mr. Louis.

**Mr. Tim Louis (Kitchener—Conestoga, Lib.):** Thank you, Mr. Chair.

Thank you to all our panellists. I really appreciate your being here.

I'm going to try to get to as many people as I can. I'll possibly start with Mr. Green.

Farmers want to do their part, and they want to lower their carbon footprints. As a government, we want to work together with them to do that, and that's what these conversations are.

Lowering emissions can be accomplished in many ways. We've touched on some of them and heard from other testimony—more than just in grain drying. You've done research on renewable ener-

gy, on clean transportation and on digital and broadband investments, which would help automation and artificial intelligence.

Can you tell us some of those ways that we can, even in the short term with technology that exists, work with farmers to support them and incentivize them to lower their carbon footprints?

**Mr. Tom L. Green:** It's a great question.

We're seeing a really rapid acceleration in low-carbon technologies. For instance, if you look at the International Energy Agency in the year 2000, it predicted that we would add 18 gigawatts of solar energy between then and 2020. I think around 2016 we added 18 gigawatts in one year, so they've vastly underestimated how quickly this technology would scale up and how much the prices would come down.

One of the benefits we're seeing with carbon pricing around the world is that it is incentivizing these kinds of innovations that in the long run result in more efficiency. There is a transmission period where it creates a need to adapt and so on, and costs may rise temporarily, but as I was mentioning earlier, with the price of natural gas varying so much, the carbon tax is actually a smaller portion of that and the change that happened between 2006 to the present with falling natural gas rates—

**Mr. Tim Louis:** Thank you. I appreciate that.

I'll move to Ms. Turcotte. You mentioned Triple Green in Manitoba. They use a biodrying air system, which is a nascent technology, but it's scaling up quickly because propane is 82% water and natural gas is 66% water, so that moisture turns into water vapour and that's being put into the grain dryers and the grain. By making the heat source dry, it creates efficiency. Their motto is "solutions that save money".

This technology is growing and it's moving quickly and scaling, but there's also a role for the private sector. Can you explain a bit about the competitive advantages of companies like this that would drive innovations, not only with our government making investments but the private sector also investing.

• (1620)

**Ms. Isabelle Turcotte:** Yes, absolutely. More than anything, companies need policy certainty when [*Technical difficulty—Editor*] their investment portfolios. That requires a [*Technical difficulty—Editor*] on the price signal. It requires a clearly communicated [*Technical difficulty—Editor*] increasing price on carbon.

It bears noting that the private sector or the corporate world has gone through flip-flops on carbon pricing, including Alberta and Ontario most notably. In these provinces we're seeing a private sector that is hesitant and is struggling to get [*Technical difficulty—Editor*] from headquarters, which are not in Canada because they were uncertain about where Canada was going on carbon pricing.

It is really important that we send a strong message to these companies that Canada is a place to invest, to produce your low-carbon products and to be a leader in innovation.

**Mr. Tim Louis:** I thank you very much. I couldn't get all of it as there was a connectivity issue, but I think the gist of it was made clear and I appreciate it.

With the minute I have remaining—

**The Chair:** Just hang on a second, Tim.

[*Translation*]

Mr. Perron, is there an interpretation issue?

**Mr. Yves Perron:** The interpretation was interrupted very briefly, Mr. Chair.

I had raised my hand, but I lowered it. The interpreter was able to work, but the Internet connection was quite poor.

**The Chair:** Okay.

Is everything working?

**Mr. Yves Perron:** Yes.

The interpreters are very skilled. I tip my hat to them once again.

**The Chair:** Okay. Thank you.

[*English*]

I'm sorry about that, Mr. Louis. Go ahead.

**Mr. Tim Louis:** Mr. Chair, what do you suggest? That I give Ms. Turcotte some time to answer that question again? Is that all right?

**The Chair:** Yes, for sure. Go ahead.

**Mr. Tim Louis:** If you don't mind, please repeat or sum up what you said, as there was a connectivity issue.

**Ms. Isabelle Turcotte:** Yes, sure thing. I'm sorry we have these issues.

I'm thinking a really important message to remember is the important policy certainty for our private sector to invest in innovation and in emissions-reduction technologies, and to make them available not only to Canadian companies, through which they will reduce their exposure to the carbon price, but to meet our competitiveness and climate targets and our economic goals.

I was mentioning in Alberta and in Ontario, unfortunately over the last couple of years, there was a lot of turmoil with flip-flopping on carbon-pricing policies, and we're seeing the impact of that. Companies are struggling to convince headquarters, which are not in Canada, to make these investments here.

Moving forward, now that we have this announcement on the price schedule increase up until 2030, let's continue to send that strong policy certainty to companies to say Canada's a good place

to invest in low-carbon technologies. There's a strong market here and you can access international markets from here too.

**Mr. Tim Louis:** Thank you very much.

Mr. Chair, I don't know what time I have left with that stop—

**The Chair:** That's pretty much it. I think you're pretty close to it.

**Mr. Tim Louis:** Thank you.

**The Chair:** It was kind of on and off. We'll end it here.

Go ahead, Monsieur Perron.

[*Translation*]

**Mr. Yves Perron:** Before we begin, I want to make sure that Ms. Turcotte's Internet connection was tested prior to the meeting.

**The Chair:** I think so.

Ms. Turcotte, could you close all the other applications that you have running? Often, this causes—

**Ms. Isabelle Turcotte:** Yes, we were no longer in contact. I'm sorry.

**Mr. Yves Perron:** That's fine. I just wanted to make sure. It's a health and safety issue for our interpreters.

I know that I often compliment the interpreters, but this time they pulled off a major feat.

We can continue, Mr. Chair.

**The Chair:** Go ahead, Mr. Perron.

**Mr. Yves Perron:** I'll start my two and a half minutes by turning again to Mr. Charlebois.

Mr. Charlebois, you said a few things earlier that I found intriguing. You said that you didn't really have an issue with the carbon tax being set at \$50, but that if it rose to \$170, you would have one. Are you implying that there could have been a middle ground to maintain the signal requested by the other two witnesses today and that there could be a transition? I'd like you to briefly comment on this.

• (1625)

**Dr. Sylvain Charlebois:** Thank you. That's a good question, Mr. Perron.

In my view, a carbon tax of \$50 per tonne is still familiar territory. Case studies were conducted before the determination of this amount. However, tripling the amount in Canada takes us into unknown territory. It's quite a significant change.

Since Prime Minister Trudeau announced this increase in December, I've asked various people in Ottawa many questions. I haven't received an answer or an assessment. Let's go back to the affordability of food. In my opinion, that's the starting point. What would be the consequences up front in terms of distribution, processing and production? We don't know the impact of this increase, which is quite significant.

**Mr. Yves Perron:** You're maintaining your position that passing Bill C-206 is a good idea. Are you also saying that the parts of the country not covered by the bill, such as Quebec, should at some point do the same thing and use more incentives up front?

**Dr. Sylvain Charlebois:** In my opinion, yes. As I explained at the start of the meeting, I find that the producers' work isn't properly appreciated. Many changes have affected production. However, I think that we should look at the bigger picture. Instead of thinking about penalties, maybe we should also acknowledge the farmers' positive contribution to protecting the environment.

**Mr. Yves Perron:** Are you aware of the possibility of using a certain amount of biogas to heat buildings and dry grain at a potentially acceptable rate that wouldn't require any facility changes?

**The Chair:** Mr. Perron, that's all the time that we have, unfortunately.

It's now Mr. MacGregor's turn.

You have the floor for two and a half minutes.

[*English*]

Go ahead, Mr. MacGregor.

**Mr. Alistair MacGregor:** Thank you, Chair.

Mr. Green, maybe I'll turn to you again.

In talking about these innovative technologies that may exist, I think that, so far, it has become clear that the combustion of some sort of fuel is needed to reach the efficiency that is required for these grain dryers, whether it's crop residue or propane.

I'm just wondering, does the David Suzuki Foundation have an opinion on helping farmers to collect biogas—methane—from the composting of manure and so on, collecting that into tanks and then using it as a fuel to power these dryers? I guess you could call it a carbon-neutral fuel, because it is a carbon source that is derived from something that was terrestrial and not a fossil fuel. Is that something that could be an interim innovative measure to be used in circumstances like these?

**Mr. Tom L. Green:** If we preserve the price on emissions, then we will see more and more solutions deployed.

I would just like to say one thing, which is that I don't think combustion is the only way to go. Heat pumps have been used to heat homes, to heat industry and in industrial processes. Heat pumps are being deployed at a rapid scale in a whole bunch of different processes. The great thing about a heat pump is that whatever electricity you put in, you actually get about three times as much for the process you're using, and because when you're doing grain drying I presume most of it is not done when it's -40°C out, you actually get a really good energy return.

**Mr. Alistair MacGregor:** Is it not preferable to use methane from composting manure and combust that, so it's CO<sub>2</sub>, rather than to have it as methane, which is a far worse greenhouse gas?

**Mr. Tom L. Green:** We definitely don't want to release methane into the atmosphere, but in a proper composting process, you could make it aerobic as opposed to anaerobic so that you're not producing methane.

**Mr. Alistair MacGregor:** That is true, yes.

I think I only have a few seconds left, so thank you for your testimony.

• (1630)

**Mr. Tom L. Green:** Thank you.

**The Chair:** Thank you, Mr. MacGregor.

That concludes our panel for the first hour.

I really want to thank Mr. Charlebois for being here with us today. Also, from the David Suzuki Foundation, Mr. Green, thank you so much for your contribution. From the Pembina Institute, Madame Turcotte, again, thanks for being here.

We shall suspend to bring in the other panel—

[*Translation*]

Mr. Perron, you have the floor.

**Mr. Yves Perron:** I have a quick technical question, Mr. Chair. You can say no if applicable. If we ask a question and we don't have time to get the answer, can we ask to obtain the response in writing?

**The Chair:** Absolutely. We can inform the—

**Mr. Yves Perron:** Mr. Charlebois, I would like to receive an answer to my last question about the possibility of including biogas, if applicable, of course.

**The Chair:** The question has been asked. Thank you, Mr. Perron.

[*English*]

Now we'll suspend, and we'll be back ASAP with the other panel.

Again, thank you.

We'll see you shortly.

• (1630)

(Pause)

• (1635)

**The Chair:** I call the meeting back to order for the second hour.

[*Translation*]

We're joined by Fred Ghatala, director of carbon and sustainability at Advanced Biofuels Canada; and Jasmin Guénette, vice-president of national affairs at the Canadian Federation of Independent Business.

Good afternoon, Mr. Guénette.

We're also joined by Virginia Labbie, a senior policy analyst for agri-business.

We'll start the presentations.

Mr. Ghatala, you have the floor for five minutes.

[English]

**Mr. Fred Ghatala (Director, Carbon and Sustainability, Advanced Biofuels Canada):** Thank you, Mr. Chair and members of the committee. It's an honour to present to you today.

My name is Fred Ghatala. I'm the director of carbon and sustainability with Advanced Biofuels Canada. We are the national voice for producers, distributors and technology developers of advanced biofuels.

Our members are global leaders. They have built and operate plants on four continents, with the capacity to produce over 15 billion litres of advanced biofuels annually. In Canada, our members currently operate seven facilities with an annual capacity of over 670 million litres. We are developing new technologies and production facilities to meet increasing demand for advanced biofuels and other non-fossil clean fuels.

In response to policies such as the clean fuel standard, the Greenhouse Gas Pollution Pricing Act and provincial measures, a recent survey of our members identified over 60 capital projects planned to 2030, with over \$15 billion of capital expenditure. Economic modelling of the clean fuel standard indicates that biofuels demand could increase by twofold to threefold by 2030, supporting 20,000 jobs and generating over \$10 billion in new economic output.

Canadian feedstocks are fundamental to supporting investment in new domestic advanced biofuel capacity. Canadian crop and forestry sectors have established a global leading record of performance on the sustainability of harvested products, with sound data to evidence impacts on land, air and water.

As the global demand for sustainable agricultural and forestry products and non-fossil clean fuels has expanded over the past two decades, our biomass supply systems have invested broadly in innovation to reduce greenhouse gas emissions and other environmental impacts, all while increasing overall supply with less acres. Statistics Canada data shows that, since 2000, Canada has reduced total seeded acres by 0.4% per year, an eight-million-acre reduction. Canada has the proven capacity to sustainably harvest crops, supply low-cost and low-carbon agricultural and forestry residues and adopt circular waste management solutions to support expanding clean fuel production.

We have a wealth of clean fuel supply options: conventional crops, rendered animal fats, municipal and industrial wastes, direct air capture of carbon dioxide, biocrude and even expanded lipid production within existing crops. Ensuring Canadian farm and forestry sectors are strong participants in low-carbon markets is integral to realizing the broad benefits that new policies like the clean fuel standard present.

More clean fuels produced in Canada also mean reduced import reliance on refined petroleum products and biofuels products in

western and central Canada. The Canadian Fuels Association reports that in 2019 these markets relied on over 12 billion litres of imported gasoline, diesel and jet fuels. We view the proposed amendment as a recognition that agricultural producers are indeed trade-exposed and that measures are needed to enhance their competitiveness.

Further, because the carbon intensity of biofuels has dropped significantly over the past decade, we know that farmers are working hard to improve their greenhouse gas emission reductions by investing in sustainable yield improvements and enhanced on-farm practices. Simply put, farmers are a key part of the climate solution, and we support policies that allow them to continue to deliver results.

To conclude, expanding advanced biofuels use is the most affordable, immediate and effective tool to reduce emissions in the internal combustion engine vehicles that drive our economy today. In the future, we will increasingly expand use of electric vehicles and low-carbon hydrogen. However, to achieve net-zero emissions by 2050, we must address the hard-to-decarbonize transport sectors, such as the legacy vehicle fleets, long-haul transport, aviation, marine and rail that are in operation today.

The economic benefits of advanced biofuels are being realized across Canada's rural farming and forestry communities from coast to coast. For Canada to succeed in attracting investments in advanced biofuel production, innovation and supply chain and infrastructure expansion, it is critical that our domestic agriculture producers are positioned to participate.

Thank you again for the opportunity to appear today. I look forward to your questions.

• (1640)

**The Chair:** Thank you very much, Mr. Ghatala.

[Translation]

The representatives of the Canadian Federation of Independent Business now have five minutes to give their presentation.

**Mr. Jasmin Guénette (Vice-President, National Affairs, Canadian Federation of Independent Business):** Good afternoon, Mr. Chair and committee members.

My name is Jasmin Gu nette. I'm the vice-president of national affairs at the Canadian Federation of Independent Business, or CFIB. I'm joined by my colleague, Virginia Labbie, a senior policy analyst for agri-food. I'll give my short presentation in French and my colleague will give her presentation in English.

I want you to know that we're very pleased to be here today. You have been emailed a PowerPoint presentation, which will serve as the basis for our comments.

I want to remind you that CFIB is a non-partisan and non-profit organization that advocates on behalf of SMEs to governments. We have 95,000 members across the country who work in all sectors of the economy, and 6,000 of those members work in the agricultural sector.

As you know, the pandemic has been very challenging for small independent businesses. Our most recent survey shows that only 56% of SMEs have fully reopened. The situation is even more worrisome when we consider that only 29% of SMEs have normal revenues for this time of year. This isn't the time to add costs or to increase taxes for businesses that are already struggling financially. Instead, it's the time to find ways to lighten their tax burden.

We're here today to support Bill C-206. My colleague, Virginia Labbie, will provide several pieces of information that substantiate our position.

Ms. Labbie, the floor is yours.

[English]

**Ms. Virginia Labbie (Senior Policy Analyst, Agribusiness, Canadian Federation of Independent Business):** Thank you, Jasmin.

CFIB regularly surveys our farm members on issues that impact their agribusiness. It is clear that farmers care about the environment. In fact, almost 80% of farmers have taken action in the last several years to lessen their environmental impact, including 85% of those in the field crop sector.

When asked what motivates their business to implement measures to improve environmental quality, 87% of farmers said they were motivated by their own personal views.

CFIB continues to hear from farmers that the federal pricing backstop plan has already had a significant impact on their bottom line. When CFIB surveyed our farm members, 82% of respondents agreed that the federal carbon tax is negatively impacting their business.

When analyzing the data by sector, 94% of farmers in the field crop sector, and 93% in the livestock sector have been most negatively impacted. When asked to estimate how much their business expected to pay in federal carbon taxes in the first year it applied to them, farmers, on average, paid almost \$14,000.

It is important to note that these costs were incurred when the federal carbon tax was set at \$20 per tonne of CO<sub>2</sub>. As you know, the federal carbon tax is scheduled to rise to \$170 per tonne by 2030. This amounts to an increase of more than 325% from today and a 750% increase from when this data was collected.

One of the recurring themes in the member comments in our surveys is that farmers cannot pass these additional costs on to their customers. In fact, 83% in the field crop sector said they would be able to pass on less than 10% of the federal carbon tax cost to customers. Over 78% said they would have to eat the entire cost of the federal carbon tax.

Given that most farmers are price-takers, the magnitude of these increases in federal carbon taxes will hamstring farmers' ability to compete and invest in their business and in new technology. In addition, the ripple effect throughout the agriculture sector has ratcheted up indirect costs for farmers from the carbon tax applied to farm inputs and transportation services such as railways and trucking.

It is clear that even an incremental annual increase to the price on carbon emissions is worrying to farmers. When the federal carbon tax was set to increase from \$30 to \$40 per tonne on April 1, almost three-quarters said it would have a significant impact on their agribusiness.

It is fair to say that farmers are deeply concerned about what these costs will escalate to by 2030. This is why it is important to provide carbon tax relief now, and why Bill C-206 is an urgently needed, positive first step in addressing this unfair burden on agriculture.

CFIB believes that a carbon tax on propane and natural gas to dry grain punishes businesses for utilizing a product for which there are no practical alternatives. In the context of the pandemic, we must look for ways to help farmers and ensure the agriculture sector is competitive and performs to its potential to help lead Canada's economic recovery.

Therefore, CFIB urges all members of Parliament to support Bill C-206.

Thank you for the opportunity to appear before your committee today and present our farm members' views on Bill C-206.

• (1645)

**The Chair:** Thank you, Ms. Labbie.

Now we'll go to our question round, and we'll start with a six-minute round with Philip Lawrence.

Go ahead, Mr. Lawrence, for six minutes.

**Mr. Philip Lawrence:** Thank you, Chair. I appreciate it.

I'll start my questions with the CFIB. One of the motivations for having a carbon tax, which is laudable, is to encourage and incentivize farmers to take actions that will reduce their carbon footprint.

Given the fact that there aren't any viable alternatives, and we've had considerable testimony on that, and the precarious state that farmers are often debt-laden and price-takers, is there, in your opinion from the numbers and from talking to farmers, the possibility at least that a raise in the carbon tax to \$170 per tonne could cause some farmers to go out of business, particularly small family-held farms?

**Ms. Virginia Labbie:** As you heard in my opening comments, we know that farmers on average paid about \$14,000 in the first year it applied to them. I think you heard from testimony earlier today that going to \$170 per tonne is a real game-changer, according to Professor Charlebois.

As we mentioned when we surveyed our members, \$14,000 for the first year it applied to them, this was when the carbon tax was set at \$20 per tonne. As we know, the federal carbon tax is scheduled to rise to \$170 per tonne. This amounts to an increase of more than 325% from today and a 750% increase from when this data was collected.

I think it's fair to say there's a significant impact on farm income, on their competitiveness. That's why we believe Bill C-206 offers the opportunity to provide some much-needed carbon tax relief moving forward.

**Mr. Philip Lawrence:** Thank you very much.

While we can certainly disagree on the carbon pricing regimes, I think it's fair to say that under the current carbon pricing regimes both farmers and small business owners have been disadvantaged. It's just inequitable, regardless of the broader discussion of carbon pricing.

Would you agree with that analysis?

**Ms. Virginia Labbie:** Yes, when we analyzed a lot of the data that was out there, it appears that small businesses bear about half the direct burden of paying for the carbon tax, yet they will receive less than 7% of the rebates and incentives available.

We believe that small businesses are being asked to absorb a disproportionate amount of the increased price on carbon in order to provide households with rebate cheques that more than offset their increased carbon-related costs.

This bill is about creating fairness and addressing those inequities, and we believe it's a positive step forward in addressing the unfairness of the federal carbon tax on farmers.

**Mr. Philip Lawrence:** Thank you very much.

Obviously, given that it would pose challenges to small business owners and farmers alike, I know that your organization has done a lot of work on the impact of the pandemic. Perhaps you could combine the perfect storm or the worst storm, I should say, for small business owners and farmers alike with respect to the challenges of the pandemic and an ever-rising carbon tax.

**Ms. Virginia Labbie:** I'll let Jasmin address that, please.

**Mr. Jasmin Gu nette:** The pandemic, as I mentioned in my introductory remarks, has been very tough on small business. I provided some figures to highlight that.

One thing I could add to what I said is that, on average, small businesses had to take on \$170,000 of COVID-related debt just to be able to weather the storm. If you look at the level of debt in the agriculture and natural resources sectors combined, the average debt is at \$329,000, so it's a huge amount of debt for businesses to take on due to COVID-19.

A bill like this one would provide much-needed relief for businesses that have been hard hit by the pandemic.

• (1650)

**Mr. Philip Lawrence:** That's perfect.

I'll switch over to you Mr. Ghatala.

In your role with respect to biofuels, do you see the farmers making a contribution to the environment, particularly contributing biofuels to our economy as opposed to using fossil fuels?

**Mr. Fred Ghatala:** Thank you for the question.

Yes, as I mentioned in the remarks, the farming community is fundamental to the tremendous growth opportunity that is before us for advanced biofuels. We estimate there's a two- to three-time increase coming, which is a Canadian opportunity to fill the demand created by the clean fuel standard, so 2.5 billion litres up to 6.5 billion litres. That's a huge opportunity.

We've seen in the past six weeks the Canadian press announce significant expansion, so we very much support any efforts that allow growers to participate to a greater degree in producing that feedstock to create more advanced biofuels for use in Canada.

**Mr. Philip Lawrence:** Is that time, Mr. Chair?

**The Chair:** That's about it, Mr. Lawrence.

**Mr. Philip Lawrence:** I will cede my last three seconds or whatever it is. Thank you.

**The Chair:** Thank you very much.

We'll go to our next speaker, Mr. Blois, for six minutes.

Go ahead, Mr. Blois.

**Mr. Kody Blois (Kings—Hants, Lib.):** Thank you, Mr. Chair.

I'd like to thank our witnesses here today. I'm going to start with Mr. Ghatala.

You mentioned the clean fuel standard. How has the price on pollution created opportunities for businesses such as you mentioned, small businesses and farmers, to be able to feed into the feedstock, not just under the clean fuel standard? Is that moving the metric in terms of the innovation and technology that some of the businesses that you represent are moving toward?

**Mr. Fred Ghatala:** That's right.



The Greenhouse Gas Pollution Pricing Act includes in it an exemption approach whereby renewable fuels are blended to a certain limit. In a sense, the Greenhouse Gas Pollution Pricing Act does well to exempt renewable fuels.

Growers and farmers producing feedstock for renewable fuel production to meet the clean fuel standard have the added impact and market pull from that carbon-price exemption plus demand from the clean fuel standard, so it's really important that these policies can work together. I think that's why really encouraging growers to participate in that market through a revised approach to the carbon price on farm fuel use is very consistent.

**Mr. Kody Blois:** I want to go to Ms. Labbie with the Canadian Federation of Independent Business. Is it fair to say that your organization just writ large is against the price on pollution, Ms. Labbie?

**Ms. Virginia Labbie:** I represent farmers, and on a daily basis we reach out to our farmers on a number of issues and through various member surveys. When we talk to our members we gather—

**Mr. Kody Blois:** Ms. Labbie, I'm sorry. I want to be direct. Is your organization against the price on pollution? I thought that the CFIB was just against it writ large, beyond agriculture. Is that fair?

**Ms. Virginia Labbie:** Our members are really concerned, as I mentioned in my statement. Our farm members are facing a significant impact, \$14,000 in the first year it applied to them, and they're really concerned about—

**Mr. Kody Blois:** Ms. Labbie, I heard that in your testimony. I don't mean to be rude. I have only so much time. My understanding is that CFIB is against the price on pollution across all small businesses. I've heard your testimony here today.

• (1655)

**Mr. Damien Kurek (Battle River—Crowfoot, CPC):** On a point of order, Mr. Chair, the honourable member asked a question. I would be very curious to hear the answer, yet he doesn't seem to be willing to let the witness answer.

**The Chair:** This is the member's time, so I'll have to let the member manage his time.

Thank you for the point of order.

**Mr. Kody Blois:** Thank you, Mr. Chair.

Ms. Labbie, I'm just trying to ask direct questions and I'm trying to get direct answers to the extent that I can. I guess my concern with this bill—and it's not withstanding the fact that Mr. Lawrence does have some good intentions of trying to help support agricultural producers. We just had a session, our last panel, talking about how the actual price mechanism is incentivizing the industry to change. We just heard from Mr. Ghatala about the innovation and the small businesses that are benefiting from the fact that there is a clean fuel standard and there are prices on pollution that are actually driving innovation in the sector for small businesses.

Does CFIB see this as an exemption only in agriculture, or does your organization just not stand for this policy at all?

**Ms. Virginia Labbie:** Perhaps I could defer to Jasmin Guénette, our national affairs—

**Mr. Jasmin Guénette:** We are here today to express our support for this particular bill. We want to see policies implemented that are fair to small businesses, that help small businesses cope with the cost and cope with the current pandemic. When we take a position and when we present that position to a committee such as the one today, we do so based on our members' views. Our members believe that the system currently in place needs to be more fair to them and they hope to see Bill C-206 pass—

**Mr. Kody Blois:** I appreciate that. You support the bill. You've made that clear.

In the testimony, you talked about COVID-19 and some of the impacts. I certainly would agree with tourism. I would agree with hospitality. Do you see agriculture as being one of the hardest-hit sectors? Very quickly, notwithstanding that for the men and women in this sector there have been challenges and the government was there to provide support, do you see agriculture being one of the hardest-hit industries vis-à-vis COVID?

**Mr. Jasmin Guénette:** Right now, 78% of agribusinesses are fully open. We are still a long way from having a sector that is fully 100% open. Right now, only 54 of them are fully staffed, which is something that is difficult for many businesses, and only 59% of agribusinesses are—

**Mr. Kody Blois:** Okay. I appreciate that. I need to move on. I have only so much time. You have my apologies.

I want to go to Mr. Ghatala.

I think that there's a reasonable way to look at how we can try to incentivize farmers and producers by having a price on pollution, perhaps by looking at how we rebate back to farmers, not unlike what we do broadly in society around the price on pollution to incentivize change. Along with perhaps working with international communities—such as the United States—to set a minimum price on pollution, how do you see that other countries that choose not to levy any type of expectation on their domestic producers are not rewarded in the international marketplace?

Do you have any broad thoughts on that in the 25 seconds I have left?

**Mr. Fred Ghatala:** Thanks.

We support anything that allows growers to participate in producing advanced biofuels, and Canada's agriculture has extremely low carbon intensity due to the practices they do, so allowing them to participate is fundamental. Anything that helps them invest in on-farm advanced practices is very supportable—

**The Chair:** Thank you, Mr. Ghatala.

Thank you, Mr. Blois.

Now we'll move to Monsieur Perron

[Translation]

You have the floor for six minutes, Mr. Perron.

**Mr. Yves Perron:** Thank you, Mr. Chair.

I want to thank the witnesses for joining us. We appreciate it.

I'll start with you, Mr. Guénette. You said that small businesses are struggling under the current model. The most recent budget announced \$10 million for clean energy, \$50 million to improve grain drying, and \$100 million for partial tax rebates.

In your opinion, are these amounts sufficient?

**Mr. Jasmin Guénette:** Thank you for your question.

The measures and amounts announced in the budget send a signal that the government acknowledges that propane is an issue. This is a step in the right direction.

If you ask CFIB members whether they prefer a credit system or exemptions, they'll tell you that they prefer exemptions.

• (1700)

**Mr. Yves Perron:** It seems clear that your members don't want to be held hostage, so to speak, to an offset program for which they must fill out additional paperwork and increase their administrative operating costs, as we've seen with other programs. Is that right?

**Mr. Jasmin Guénette:** A credit system could further increase the already heavy burden on entrepreneurs. Our members would prefer a simpler system, such as an exemption system.

**Mr. Yves Perron:** Could you get your members on board if there were government support for a transition to research and development, even if there were no pricing?

**Mr. Jasmin Guénette:** We would need to see how these things are presented and implemented. With all due respect, rather than talking about policies that don't exist yet, I think that we need to talk about the benefit of the proposal before us today. It addresses an immediate, urgent and essential need for agricultural entrepreneurs.

**Mr. Yves Perron:** We feel the same way, if that reassures you, Mr. Guénette. That's exactly why I'm talking about hypothetical things that could be implemented as an alternative to punitive taxation.

Mr. Ghatala, you're an expert on biofuels. I'm very interested in this topic.

Do you think that, with the current technology, you could incorporate a certain amount of biogas into grain drying, which currently requires propane and natural gas, without changing the facilities? It would be similar to the process used with cars and the 10% maximum. Is this feasible?

[English]

**Mr. Fred Ghatala:** Yes, I understand that renewable natural gas and even clean hydrogen can be used and mixed in the pipelines with natural gas, so it's certainly foreseeable that could be part of the energy mix for grain drying.

[Translation]

**Mr. Yves Perron:** Do you think that this could be done through an incentive program, even if Bill C-206 were passed, which would exempt propane and natural gas for now?

[English]

**Mr. Fred Ghatala:** Yes, clearly I would expect that this could be a good creation of on-farm offsets in a federal offset system, something that would encourage low-carbon natural gas, RNG, renewable natural gas, to be used.

[Translation]

**Mr. Yves Perron:** Okay.

The agricultural sector representatives whom we hear from almost unanimously state that they don't have an economically viable alternative for their business at this time. We're trying to apply the principle of group decision-making. Sending the bill to producers, who, as price takers, are simply seeing their profit margins shrink, seems very punitive. It would be possible to pass Bill C-206 while implementing an incentive program.

I'm glad that we have an expert on biofuels here.

What are our options, Mr. Ghatala? In your opinion, how soon could we implement an economically viable alternative for businesses, especially when it comes to grain drying?

[English]

**Mr. Fred Ghatala:** Yes, I think efforts are quite under way to incorporate renewable natural gas. The representatives from the Canadian Canola Growers, Mr. Ammeter and Mr. Carey, referenced farmers wanting to pursue innovation to drive down emissions on the farm. The nice thing about using RNG and other renewable natural gas sources is that they can integrate with the current systems that are in place. I think an incentive-based approach to have that occur really makes sense.

• (1705)

[Translation]

**Mr. Yves Perron:** How long would it take to make the transition?

Can we completely get rid of fossil fuels?

[English]

**Mr. Fred Ghatala:** I think up to 15% renewable natural gas would be achievable pre-2030. Some of these things will definitely be incentives-based in order to maintain the competitiveness of Canadian farmers to provide that feedstock. I think an incentive approach rather than a requirement that increases the on-farm fuel cost is part of the way to aid that transition.

**The Chair:** You have three seconds left.

[Translation]

Thank you, Mr. Perron.

[English]

Now we go to Mr. MacGregor for six minutes.

**Mr. Alistair MacGregor:** Thank you, Mr. Chair.

Mr. Ghatala, I'll start with you. I think I may have missed it in your conversation and referral to the committee of what the state of the industry is like for advanced biofuels. Could you clarify your position on Bill C-206?

**Mr. Fred Ghatala:** I'm supportive, yes.

**Mr. Alistair MacGregor:** Thank you.

As my colleagues have alluded, we have heard a lot of testimony about the lack of viable alternatives out there. I'm really interested in on-farm generation of biofuels. One challenge is setting up the distribution and infrastructure. It takes some time. Every time we've gone through a big societal shift from one fuel source to another it's taken some time to set up the distribution network.

What kinds of opportunities exist for on-farm generation of biofuels whereby farmers can use existing compost methods, collection of methane, to fill their own storage tanks for on-farm use? Is that a rapidly scalable technology in the next five years or so?

**Mr. Fred Ghatala:** Primarily, biofuel feedstocks are produced on the farm. In the case of canola oilseeds, they are crushed, refined and then are able to be turned into biodiesel and eventually renewable diesel that can then be used in farm equipment. There's clearly a loop to enable on-farm biomass products to be used on the farm in the form of diesel. Certainly there would be an opportunity to use on-farm produced biogas through digesters, especially if they're integrated with animal operations. There's certainly an opportunity for that. I would see an offset system as a way to really encourage that, through a financial incentive to participate in the carbon economy. The opportunities are certainly there.

What I think was made clear by Mr. Ammeter and Mr. Carey is that grain needs to be dried. It often needs to be dried extremely quickly, so the efficiency of natural gas is very key to allow that to occur.

**Mr. Alistair MacGregor:** I guess what I'm curious about is whether it is theoretically possible for a farm—a large enough farm—to have a closed-loop system whereby the processes on the farm are able to produce enough biogas, stored in their own on-site tanks, to actually 100% power a grain dryer?

**Mr. Fred Ghatala:** I'm not able to specifically comment on the feasibility of it. I would expect that it is possible.

I would also suppose that if grain needs to be dried very fast—if it's a wet harvest year and that impacts the bottom line of the farm—then you're absolutely going to want to use the high BTUs that natural gas and eventually RNG will provide.

I'm certain that innovation could occur, but at the end of the day, if grain is wet, it needs to be dried quickly.

**Mr. Alistair MacGregor:** Yes. That's what we've heard, loudly and clearly. Thank you.

I'll turn to the CFIB.

The survey you've done among your members, I think is quite clear. In terms of how we find ways for agriculture to be a key player in fighting climate change, has the CFIB ever done any surveys, or does it have any available data, on the types of alternative policies that are popular among your members?

What do farmers want to see, in terms of federal policy, whereby they are actually contributing to the fight against climate change? What kinds of policies are they supportive of?

• (1710)

**Ms. Virginia Labbie:** We've certainly asked our members what they've done to protect the environment.

As I mentioned in our opening remarks, we regularly survey our farm members, and they provide us with hundreds of comments about their issues of concern. I think farmers recognize that they're part of the solution, not part of the problem.

I just want to read a few comments from some of our members.

This is from a member in Saskatchewan: "Farmers always look after the environment. If we didn't our livelihoods would be gone. Things such as direct seeding has made a huge impact by better conserving our soils and sequestering carbon, and greatly reducing fuel usage." That's one member's comment.

Farmers care about protecting the environment. We know that they've done a number of things. We've received hundreds of comments. Many farmers say they have purchased new and better equipment. They've adopted minimum and zero-tillage practices. They've used technology to maximize efficiency and reduce inputs. They maintain and protect wildlife habitat. They've increased manure management, protected waterways and recycled more farm materials.

We've done a number of surveys on the environment, and we know that our members are making those investments. It's important that policy-makers recognize the substantial progress in the agriculture sector and recognize that the sector is part of the solution, not the problem.

We worry in this case that by imposing costly carbon taxes on the sector, this has really stymied many farm businesses' viability, profitability and their ability to invest in new technology.

That's one of the points that I wanted to make. As we move towards \$170 per tonne, that takes away their ability to invest in new equipment. Again, we support the intentions of this bill as a positive first step in addressing the unfairness of a federal carbon tax.

**The Chair:** Thank you, Ms. Labbie.

We'll move to our second round, and we'll start with Mr. Epp for five minutes.

Go ahead, Mr. Epp.

**Mr. Dave Epp:** Thank you, Mr. Chair. I'm going to be splitting my time with my colleague, MP Kurek.

I'll start with the CFIB. Of your 95,000 members, you said about 6,000 are from the agriculture sector. We've heard a lot of testimony that the ag sector are price-takers.

Can you comment on that? Are there a lot of other sectors that you represent that are also price-takers, in the similar vein that the ag sector is, or does the ag sector kind of share this spot somewhat uniquely?

**Mr. Jasmin Guénette:** I think that the ag sector is a price-taker sector like no other.

**Mr. Dave Epp:** Thank you very much.

I'm a bit of a numbers guy. We hear different implications about the cost of Bill C-206. You've estimated \$14,000 per average farm, but that's carbon tax across the board. We heard AAFC say \$290 to \$810, and that is specifically for grain drying. However, the denominators that they used were all farmers—all census farmers—as opposed to grain farmers.

Do you have any more data on the actual cost for the average grain operation, the carbon tax for grain drying on the average farm?

**Ms. Virginia Labbie:** When we surveyed our members, we asked them to estimate the total cost to their farm business. We don't break it down by grain drying or that sort of thing.

As you know, a lot of the increases in the federal carbon tax have a ripple effect throughout the whole sector. We know that the Canadian trucking industry, for example, will pay \$538 million in carbon pricing in just this year alone. We know that western Canadian farmers will face \$169 million to \$182 million per year on rail costs alone by the time the carbon tax hits \$170 per tonne by 2030. We know that all those costs just ripple down and hit farmers at the end of the line—

**Mr. Dave Epp:** Thank you. I apologize. My time is somewhat limited.

Mr. Ghatala, I looked at your website. In your fifth bullet point, you say that "Canadian biofuel producers and marketers work with an integrated North American market". Can you comment on the feasibility or the wisdom of pursuing alone, from a Canadian perspective, a price on pollution, carbon taxing and carbon pricing?

**Mr. Fred Ghatala:** It's certainly an integrated market. Biofuels trade north and south across the border. Certainly, a lot of the renewable fuels produced in Canada go to the United States, where their carbon intensity is valued. That's why policies like the clean

fuel standard and other efforts try to keep some of that advanced renewable fuel production here in Canada—

• (1715)

**Mr. Dave Epp:** Thank you, sir.

I'm going to cede the rest of my time to my colleague, Mr. Kurek. Thank you.

**Mr. Damien Kurek:** Thank you very much.

Thank you to the witnesses. It has been a very informative hour.

For the CFIB, I think you've emphasized some of the numbers and the costs for farmers that are associated with the carbon tax. My question is twofold. I will try to sneak in two questions here and ask if you have any comments.

One is on the fact that farmers are leading the way in innovation surrounding environmental stewardship and low-carbon practices, but the way this bill is structured is, specifically, to ensure that farmers, during a difficult year, have a bit of a break at a time when generally costs have gone up because of challenging weather and scenarios like that.

Would the CFIB have any comments on that and the impacts that Bill C-206 would have?

**Ms. Virginia Labbie:** I think it's important that we provide carbon tax relief. I think it's important to note that farmers don't just dry grain during wet harvest conditions in bad years. They also dry grain to meet storage and quality specs. This is something that can provide relief every year. We know that our corn growers face huge increases in carbon tax costs to dry corn, which is a high-moisture product.

Again, this is an important step to provide some relief for farmers when they must dry grain in those wet harvest years like 2019 or in those regular years where they just need to maintain storage and quality specs.

**Mr. Damien Kurek:** Yes, and I think one of the challenges that we have seen really exacerbated during the COVID-19 pandemic is the need for a secure food supply chain. Certainly, farmers are the very base step of ensuring that we have that strong national food supply chain.

Do you have any comments on how this bill might ensure that the supply chain in this country remains strong?

**The Chair:** You have 14 seconds.

**Ms. Virginia Labbie:** I think that just giving them more money to invest in their businesses and giving them some tax relief is an important thing to ensure that we have a successful and competitive food supply moving forward.

Thank you.

**The Chair:** Thank you, Ms. Labbie.

Thank you, Mr. Kurek.

We will now go to Mr. Ellis for five minutes.

Go ahead.

**Mr. Neil Ellis (Bay of Quinte, Lib.):** Thank you, Mr. Chair.

My first question is for the CFIB. I want to thank them for advocating for small businesses. As a past small business member, I was a member of their organization, and I felt that they did lobby fairly for small businesses.

My first question is about your survey of your membership. You noted you had 95,000 members, but 6,000 agri-food businesses. Did your survey include only agri-food businesses? I guess the sense is, how many businesses were involved in the survey you did? That's the survey you sent us today, I think.

**Ms. Virginia Labbie:** That's correct. We referenced a number of surveys. We did a national energy and environment survey. There were 371 respondents.

What I'm quoting you today for statistics are our farm members' views. These are farmers. We also did a survey in February of last year, and there were 241 respondents in that survey. Again, these are only farmer respondents that are responding to our surveys. These are grain farmers, livestock owners and those kinds of folks who are responding to our surveys.

**Mr. Neil Ellis:** You said there were around 240 to 250 to a survey.

**Ms. Virginia Labbie:** That's with regard to the survey that I've provided to you today, yes.

**Mr. Neil Ellis:** How do you take these surveys? Can you just explain how you do this? You mentioned phone calls. You mentioned things like that, so how do you actually do your surveys?

**Ms. Virginia Labbie:** These are surveys that are sent out by email to our farm members directly. They have the opportunity to participate in these surveys. We go on the principle of one member, one vote, so our members fill out our surveys, provide their feedback to various survey questions, and provide their many comments about the issues that impact their agribusinesses.

**Mr. Neil Ellis:** The budget was just released last week. I wonder if you have done any surveys with your organization or with your agri-food businesses. If you haven't, do you plan on getting feedback on the budget?

**Ms. Virginia Labbie:** Yes, we will be surveying our members. We know that farmers are leaders in carbon sequestration, and as I've mentioned, farmers have implemented many measures to protect the environment.

Certainly, in the months ahead, we'll be looking for more details on the many measures mentioned in the federal budget to determine if these programs will be practical and cost effective, and recognize farmers' strong environmental leadership.

We're currently working on a survey on the environment for all of our members, and we'll be surveying our farm members during that time as well.

• (1720)

**Mr. Neil Ellis:** At the last meeting, we had Farmers for Climate Solutions testify. I assume you are familiar with them. They released a press release on the federal budget that said it brought "good news" for Canadian agriculture "as farmers begin preparing for the upcoming growing season."

The government has allocated unprecedented funds to support Canadian farmers in adopting climate-friendly practices, a move that is expected to significantly reduce greenhouse gas emissions that are generated on farms. "Ottawa will invest \$200 million in new funding over two years to support farmers to reduce emissions", "\$60 million over the next two years to protect existing trees and wetlands", and "\$10 million over the next two years to power farms with clean energy." Those are some of the things in the budget.

Farmers for Climate Solutions are happy with the budget, and I believe they do not support Bill C-206. They have over 20,000 members, and one of their members, Ian McCreary, a grain and livestock farmer in Saskatchewan, commented:

Our national and international customers want us to grow food more sustainably, and with only nine seasons left to achieve Canada's 2030 target under the Paris Agreement, this investment will support farmers across the country to scale-up practices that are proven to reduce our sector's emissions. Climate change poses the single largest threat to our sector, and this investment is an imperative for our ongoing success.

I guess my question is this: If Bill C-206 fails, what are the suggestions of your organization's members? Are they willing to do grants and rebates moving forward on what they pay for pollution?

**Ms. Virginia Labbie:** As you mentioned, we're on the ground every day, talking to our members about these issues and consulting them through our various member surveys. When we talk to farmers, they all say the same thing: Exemptions are preferable to rebates. That's why we're here today to support this bill.

Certainly, we have to wait to see what that looks like in terms of the details of that rebate—how they would qualify, who would qualify, how their business can participate, those sorts of things—so we would need more information before commenting on any kind of rebate system, and we would need to consult our members, as we always do. We always go to our members in terms of their views.

We are encouraged that the federal government has recognized that the federal carbon tax on natural gas and propane is a problem. We've seen that in the budget. We're encouraged that all opposition parties showed support for Bill C-206 at second reading, and when we talked to farm members, we found that they support exemptions, which is one of the reasons why CFIB is supporting Bill C-206.

**The Chair:** Thank you, Ms. Labbie.

Thank you, Mr. Ellis.

We'll move to Monsieur Perron.

[Translation]

You have the floor for two and a half minutes, Mr. Perron.

**Mr. Yves Perron:** Thank you, Mr. Chair.

Mr. Ghatala, I want to follow up on what we were discussing. You said that you thought that it was quite possible to incorporate 15% renewable gas into the fuels used for grain drying and other purposes by 2030, without changing the current equipment. It would be quite ironic to continue to tax producers who make that effort for the other fuels that they use.

I gather that you're suggesting that we pass Bill C-206. I have many questions, but we don't have much time. Let's try to proceed quickly.

If Bill C-206 were passed, would you propose an amendment to encourage producers to use biogas?

How else should the government encourage them to do so?

[English]

**Mr. Fred Ghatala:** Thank you.

By incorporating biogas, the clean fuel standard I mentioned would reflect the reduced carbon intensity of Canadian-produced feedstocks that are turned into advanced biofuels. There's a clear signal to continue to drive improved agricultural practices on the farm, which could include RNG.

We note, in part of our remarks, that growers are trade exposed. Grain drying is emission-intensive, so they are not able to avail themselves of things like the output-based pricing system or similar approaches that shield the full application of the carbon price. Our support of it is just the recognition that our sector has a decadal growth opportunity in front of it, but fundamental to that is the participation of Canadian farmers.

[Translation]

**Mr. Yves Perron:** Okay. It was a little vague, but I gather that you think that we should be providing support up front.

You spoke about biofuels that could be made from farm residue. Several producers have told us that they need it for their soils, among other things. The residue is ground up for the next year, and so on.

Do you think that it would be possible to use external material, such as forest products?

• (1725)

[English]

**Mr. Fred Ghatala:** Yes, absolutely. This is crops. This is forestry residues. This is coprocessing those products in refineries. This is in all of the above strategies. The clean fuel standard, if designed correctly, reflects the ability of all those teams to participate. Modelling by ECCC shows that low-carbon fuels provide 45% of the compliance credits. The good part about the CFS is that it allows multiple fuel types to participate, so there are many options

for farmers and foresters and waste management sectors to all participate in that.

**The Chair:** Thank you.

[Translation]

Thank you, Mr. Perron.

[English]

Now we'll move to Mr. MacGregor for two and a half minutes.

**Mr. Alistair MacGregor:** Thank you, Chair.

I'll pose both my questions to the CFIB.

First, Bill C-206 is a pretty narrow bill. It's not a lengthy read or anything like that. Are you satisfied with the bill in its current form or are there any amendments you think could be made to it?

Second—and this comes from my last question—you did mention farmers are very proud of the work they do in being environmental stewards of the land. I agree with you. We know the pride that farmers have and that they depend on a healthy environment to raise good crops. Have you heard any feedback from your members on how that pride translates into effective federal policy?

Do your members want to see federal incentives for better agricultural practices being rewarded for carbon sequestration? As an organization have you ever received any feedback on those fronts?

**Ms. Virginia Labbie:** As I mentioned, our members are leaders in carbon sequestration. We've been doing this for 25 years as zero- and minimum-tillage practices, that sort of thing. Certainly our members want to be recognized for the important role they play in protecting the environment, and as I said, they've already taken a number of steps to do that.

Our view is to not add additional costs to their operation and to provide carbon tax relief at this point. This helps them move forward and helps them invest in technology and contribute to protecting the environment, as they're already doing.

**Mr. Alistair MacGregor:** Are you satisfied with the bill in its current form? You have no suggested amendments.

**Ms. Virginia Labbie:** We're here to support the bill. Our members believe this is an opportunity to provide carbon tax relief, moving forward. Again, our members believe this is a first step in addressing some of the unfairness of the carbon tax. As I've talked about, there's definitely an unfairness there with how much farmers and small businesses bear in terms of the carbon tax. If you can provide an exemption for our farm members....

Let's remember that there is a precedent already in place. Certain exemptions already apply to the greenhouse sector. Expanding exemptions for fuel used to dry grains just makes sense for us.

**The Chair:** Thank you, Ms. Labbie.

This concludes the second portion of our study today.

[*Translation*]

I want to thank Fred Ghatala, director of Advanced Biofuels Canada, and Jasmin Guénette and Virginia Labbie from the Canadian Federation of Independent Business.

[*English*]

Thanks for participating, and that will conclude our meeting today.

**Ms. Virginia Labbie:** Thank you so much for the opportunity.

**The Chair:** You're welcome.

Thank you so much to the committee. We'll see you all next week. Have a good week.

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