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Chair: Mr. Pat Finnigan



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• (1545)

[*English*]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): I call this meeting to order.

Welcome to meeting number 30 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 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 (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. As you are aware, the webcast will always show the person speaking rather than the entirety of the committee.

I would like to take this opportunity to remind all participants in this meeting that screenshots and taking photos of your screen are not permitted.

[*Translation*]

To ensure an orderly meeting, I would like to outline a few rules to follow.

Before speaking, please wait until I recognize you by name. If you're on the video conference, please click on the microphone icon to unmute yourself. The microphones of participants in the room will be controlled as normal by the proceedings and verification officer. Remember that all comments by members and witnesses must be directed through the chair. When you aren't speaking, your microphone should be on mute.

[*English*]

Before welcoming our witnesses, I'd like to remind members that amendments for Bill C-206 must be sent to the clerk before Friday, May 7 at 5 p.m.

I'd now like to welcome our witnesses. From the Department of Agriculture and Agri-Food, we have Mr. Warren Goodlet, director general, research and analysis directorate, strategic policy branch.

Welcome, Mr. Goodlet.

Also from the department, we have Matt Parry, director general, policy development and analysis directorate, strategic policy branch.

From the Department of Finance, we have Phil King, director general, sales tax division, tax policy branch, and Mr. Gervais Coulombe, senior director, excise, sales tax division, tax policy branch.

Welcome to both of you.

From the Department of the Environment, we have Judy Meltzer, director general, carbon markets bureau, environmental protection branch.

I understand that there will be just one opening statement for all departments, and it will be for five minutes.

For whoever wants to do the opening statement, the floor is yours.

Mr. Matt Parry (Director General, Policy Development and Analysis Directorate, Strategic Policy Branch, Department of Agriculture and Agri-Food): Thank you, Mr. Chair.

As mentioned, my name is Matt Parry. I'm the director general of the policy development and analysis directorate at Agriculture and Agri-Food Canada.

Thank you for the opportunity to be here today to talk about Bill C-206 and the government's initiatives related to carbon pollution pricing in the agriculture sector.

I'll start by noting that climate change is one of the greatest challenges of our time. Addressing it requires engagement from all parts of Canadian society, and Canada's farmers and ranchers are a part of the climate solution.

Agriculture and Agri-Food Canada is actively engaged on many fronts to support the agriculture sector in reducing emissions, from scientific research to direct support for farmers across the country. We are working to develop solutions that are effective and efficient and that ensure farmers can grow their businesses while reducing emissions.

Greenhouse gas emissions from Canada's agriculture sector have been relatively stable since 2005. According to Canada's national inventory report for 2021, greenhouse gas emissions from the agriculture sector in Canada were approximately 73 megatonnes of carbon dioxide equivalent in 2019, the last year for which data is available.

Most of these emissions—about 60 megatonnes—are from biological emissions from livestock and crop production. The remaining 13.6 megatonnes are from on-farm fuel use, which includes fuel for machinery such as tractors and combines, as well as heating sources. These emissions have remained relatively stable since 2005.

Of the fuel emissions, about 10 megatonnes are from on-farm transportation like gasoline and diesel, which are currently exempt from pollution pricing. About 3.6 megatonnes are from stationary combustion, including grain drying and barn heating operations, which are not exempt.

Based on how the carbon pollution price is structured, this means approximately five per cent of greenhouse gas emissions from agricultural production are currently covered by pollution pricing.

• (1550)

[*Translation*]

Carbon pollution pricing is considered the most efficient means to drive innovation and energy efficiency in order to reduce emissions. Since 2019, every province and territory in Canada has had a price on pollution. Provinces and territories can design their own systems, aligned with minimum national standards, or opt for the federal system. The federal carbon pollution pricing system has been specifically designed to account for the agriculture sector's unique circumstances.

The government announced in February 2021 that it would commit to new rebates for on-farm fuel use such as grain drying, in order to support food producers and encourage new investments in clean technology.

As announced in the budget, the government intends to return a portion of the proceeds from the federal fuel charge directly to farmers.

[*English*]

This will apply to farmers in Alberta, Saskatchewan, Manitoba and Ontario, the provinces where the federal fuel charge applies. It is estimated that farmers in those jurisdictions will receive \$100 million in the first year, and this figure is expected to increase as the price on pollution rises. Further details will be provided by the government later in 2021.

Also announced in budget 2021, \$50 million of the recently announced \$165-million agricultural clean technology program will focus on grain-drying technologies, and \$10 million will focus on powering farms with clean energy.

[*Translation*]

These two components of the agricultural clean technology program will help farmers invest in more efficient and new technology that further reduces on-farm fuel use.

Work is currently under way to develop and launch these initiatives as soon as possible.

[*English*]

Through these programs, along with existing initiatives under the Canadian agricultural partnership, Agriculture and Agri-Food

Canada is working with farmers and other agricultural stakeholders to reduce emissions and fight climate change.

In closing, the measures announced in budget 2021 will provide relief for farmers in backstop jurisdictions while also supporting the sector in reducing fossil fuel use through improved efficiency and new technologies. Agriculture and Agri-Food Canada is working to support farmers today, while developing and implementing policies that will help reduce emissions tomorrow.

Thank you for your time, and we look forward to any questions.

The Chair: Thank you, Mr. Parry.

As you know, we have only one witness for the second panel, so we'll extend this one up until 6:00 Atlantic time or 5:00 eastern time. It will give us roughly 30 minutes for our single witness in the second panel.

I'll just go down the list for the order of questions. I'll just go down it, and if I have to, I'll come back up. We have about an hour and 10 minutes to do that.

Welcome, Mr. Lawrence.

[*Translation*]

I also want to welcome you, Ms. Pauzé—

[*English*]

Mr. Warren Steinley (Regina—Lewvan, CPC): Mr. Chair, I just have a point of clarification.

We could do other business. We wouldn't have to extend this round. We could do the same as this round, half an hour, and there might be some other business the committee could do if there were 30 minutes left after the second panel. I think that would work better.

The Chair: Yes. We don't have any business scheduled at this stage, so after discussion with the clerk, we're just... We're keeping the time and just going to give a bit because we have three witnesses here from three different departments. I think it will balance things out because we have only one on the last panel. I think that's how we're going to proceed.

Mr. Lawrence.

• (1555)

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Before my time starts, Chair, I would gently suggest that we have three witnesses but really only one statement and only one stakeholder group in both. I think it would be more equitable to split the time. I'm actually quite looking forward to the evidence that will be provided by the Agri-Food Innovation Council in the next section. I would kindly suggest that we split the time as opposed to leaving AIC with only half an hour.

The Chair: Yes, but we have three different departments. I circulated that notice this morning and didn't hear back, so that's how we planned it with the clerk.

Mr. Blois.

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

Look, we have three witnesses. Notwithstanding what Mr. Lawrence said about our next witness in the next hour, I think you can use your discretion. You're very fair and usually quite good in this committee. Whether it's exactly half or whether you allow a little additional time, given the fact that the lion's share or the bulk of our witnesses are here in this panel, I'm sure Mr. Lawrence will trust your discretion.

I hope we can proceed forward. Thank you.

Mr. Philip Lawrence: I will bow to the chair and defer to Monsieur Blois on this rare occasion here.

I'm sure you wouldn't steer me wrong, would you, gentlemen?

The Chair: I certainly appreciate that, Mr. Lawrence.

On that, you can start the round for six minutes. Go ahead, Mr. Lawrence.

Mr. Philip Lawrence: Thank you.

This is for whichever witness wishes to respond. If it's all three, that's fine with me.

Thank you very much. I agree with you that climate change is a real, serious and pressing issue. I think that is the consensus in this panel and in this committee. That's not in doubt and not in discussion.

One issue is with regard to what the stakeholders have said to me. Stakeholder after stakeholder has said that they prefer Bill C-206 for a number of reasons. One of the primary ones is that the money is an exemption. It stays in their pocket. It's having a real financial impact. While the credit system may be better than nothing, the idea of it coming to government, coming back, and they don't have the details on it really isn't enough. If the government is so generous and they do a fantastic job with the credit, there's nothing stopping them from repealing Bill C-206 in the future, once they have this credit system up and running.

Wouldn't you want to give the farmers a break with respect to Bill C-206? If it is up to the government's discretion, they can of course repeal it if their credit system is so generous that farmers no longer require the exemption.

Mr. Phil King (Director General, Sales Tax Division, Tax Policy Branch, Department of Finance): I can respond directly on

why, perhaps, it would be a support program rather than an exemption. There are a couple of reasons.

There are some technical issues. For example, the delivery of natural gas and propane is slightly different from the delivery of gasoline and diesel, which is exempt. It's generally piped in directly and continuously. You may have a situation where it's not just the farm operations receiving the natural gas but also the house that's being fed the natural gas. It would be difficult to distinguish and take the fuel charge off the farm operation use versus the house use when it's a single meter. There's house heating, or they might have a barbecue hooked up to the natural gas, and that would be exempt from the fuel charge. So there are some technical issues.

There's also the issue of the price signal. At the very least, with the *ex post* relief, you're maintaining the price signal. It still presents an incentive for farmers to find more efficient, greener, lower GHG-emitting ways of engaging in their farm operations. The ultimate objective, really, is to have nobody pay this fuel charge. It's the change in behaviour via technology. Where farmers can't do this, well, they're getting the money back, so there is financial support for them.

Those are the two main reasons it's been chosen—

Mr. Philip Lawrence: Thank you very much.

Also, what has come across in the testimony.... The Agri-food Innovation Council, the group we're going to hear in the next panel, put together a great report demonstrating that while there are some technologies, they are just in their novel phase and are not able to be widespread. The price signal really goes nowhere.

I would also call out the government for being hypocrites in this matter. It just recently came to light in a National Post article that they're giving DuPont a huge exemption for hydrofluorocarbons, which are said to be a thousand times worse than carbon dioxide. While this billion-dollar international company is getting an exemption, we won't give an exemption to farmers. I would think that this price signal would apply to billion-dollar corporations in addition to farmers. Is that not true?

• (1600)

Mr. Phil King: I think that's a question you'd have to pose to the minister and to the government.

I can explain the policy that's being put forward in the budget and maybe talk about Bill C-206, but I couldn't answer that question. I'm sorry.

Mr. Philip Lawrence: With respect to that elasticity of the market, though, are you aware right now of any viable technologies that farmers could massively change to, to avoid using propane and natural gas, particularly in grain drying but also for other uses on the farm?

Mr. Phil King: I might have to turn to my colleagues at Agriculture and Environment to see if they may be aware of those.

Mr. Matt Parry: There are technologies under development that are emerging, which I think hold some promise in this area. I believe that the committee, in its previous deliberations, referred to Triple Green as an example of that.

I think our understanding is that this is new technology and it's not yet at a stage where it is being widely adopted.

Mr. Philip Lawrence: Exactly. It will take time for the credit system to evolve, and then that credit system could be used to fund. Would you agree with me that it would be reasonable that it would be at least five, if not 10 years before any type of massive change could be done for grain drying? In the meantime, the farmers will be picking up the entire cost.

Mr. Matt Parry: It's an interesting question. I'm afraid I don't have the expertise in terms of the duration you refer to, but certainly some time would be involved. I can endeavour to speak with my colleagues to see if I can get further information on that.

Mr. Philip Lawrence: When we look at this, we have these farmers, and I've seen their bills. They're literally for tens of thousands of dollars. Farmers are price-takers. They have very thin margins. As the family farm seems to struggle out of existence, are we just going to put it all on the farmers until we get the credit system for maybe some novel technologies? Until then, will we just wait for the farmers, or will we pass Bill C-206 and give the farmers a break right now? The government can at any time repeal it, if there's a great breakthrough in technology.

The Chair: Sorry, Mr. Lawrence, but time is up. Perhaps they can answer your question later on.

We'll move to the second member, Mr. Blois, for six minutes.

Go ahead.

Mr. Kody Blois: Thank you, Mr. Chair, and thank you to our witnesses.

I'll start, perhaps, with Mr. King or someone from Environment.

When I look at the actual Bill C-206, it's relatively straightforward. It's just trying to amend the definition of qualifying farm fuel.

My understanding, when we look at the entire Greenhouse Gas Pollution Pricing Act, is that there are definitions for eligible farming activity and also eligible farming machinery that qualify, which this particular bill does not address at all. Would it be your position that the challenge, despite the noble intent from Mr. Lawrence in relation to this bill, is flawed in the sense that it doesn't actually address the activities and the machinery that are perhaps needed to capture grain drying or the heating of barns and other facilities?

Mr. Phil King: I can certainly give you my view as an official from the Department of Finance. I want to give you a caveat first, though, which is that the administration of the GGPPA, the Greenhouse Gas Pollution Pricing Act, is the responsibility of the Canada Revenue Agency.

Ultimately, formally and officially, it would be the CRA that would have to opine on this. However, I am happy to share my view. We designed the program. We know its intent. We drafted the legislation, so we are reasonably familiar with it.

That caveat aside, you are correct that we don't believe that Bill C-206 is specific enough or that it discusses eligible farm machinery. It just talks about the fuels involved, not the machinery that those fuels would be involved in.

Mr. Kody Blois: If this were to pass, then, basically it would just open up the eligible types of fuel that can be used under the existing activities and machinery that are already deemed eligible under the act by the Government of Canada to date?

● (1605)

Mr. Phil King: That's our view, yes. If you had a combine harvester that ran on propane or natural gas, then it would be relieved of the fuel. However, it's too vague. We don't think it's specific enough with regard to heating or grain-drying equipment.

Mr. Kody Blois: Mr. King, you mentioned the price mechanism. Other stakeholders have come before this committee and spoken about the importance of keeping a price mechanism in place, perhaps finding a way to be able to reimburse producers for some of the costs while maintaining a competitiveness to change behaviour where applicable.

You mentioned that the government plans to give further details of its plan that was in budget 2021, but we do know that about \$100 million, as was mentioned by Mr. Parry, would go back to producers. How did we come up with the number of \$100 million? I'm assuming it's relatively equitable with respect to what we feel producers actually pay in the backstop provinces in which it's in place.

Mr. Phil King: Yes, precisely. I can walk you through the \$100-million figure. You start with the four provinces in which the backstop applies: Alberta, Saskatchewan, Manitoba and Ontario. Using data from Statistics Canada on farm operating expenditures, it's roughly \$50 billion annually in those four provinces. About three-quarters of one percentage point, so less than one percentage point of that total of \$50 billion comes from expenditures on natural gas and propane. It's about three-quarters of a percentage point, and about one-third of that, about 0.2% of total farm operating expenditures, is related to the carbon price. Again, that's on natural gas and propane. That's exactly where the \$100-million figure comes from. Again, it's those four provinces, and it's at the current price of \$40 per tonne.

Mr. Kody Blois: I appreciate that explanation. That's clear.

When we look across the country, we see that we have the price on pollution. In backstop provinces the actual amount collected is then returned on a per capita basis, per se, whereas if you're someone who's a higher polluter you might essentially have to pay more into the system than what you get back. If you're someone who paid less into the system, you get a cheque to reimburse and top you up.

I know it's early days, so, to the extent that you can tell me, how do you intend to be able to take that \$100 million and distribute it back on a per capita basis to the actual farmers to ensure that we're incentivizing, and those farmers who are changing their behaviour are rewarded as such?

Mr. Phil King: Unfortunately, you're right. It is early days. It's too early to be specific about that. Those details are still being determined. I wouldn't say it would be a per capita basis, necessarily. That's one of several options and one of many dimensions across which you could return this funding.

The important point, perhaps, is that the fuel charge that is associated with natural gas and propane use totals about \$100 million, and that's what has been committed to be returned to farmers in the four jurisdictions.

Mr. Kody Blois: Is it fair to say, though, Mr. King, given the fact that, yes, it is early days, that there will be a consideration on how to continue to incentivize farmers where applicable? We've had conversations on this committee about the fact that some of the technologies are not necessarily readily available, but where applicable, I assume there's going to be some type of mechanism to try to incentivize to change behaviour, to address the 10% of emissions that are tied to agriculture. Farmers are already doing great work, but I assume we want to help to continue to incentivize that behaviour.

Mr. Phil King: That's correct, and that's the intention of the two measures announced in the recent budget. One is to maintain the price signal, but returning the funds where it's not possible to adopt more efficient machinery or technology. The second aspect, which my colleague Matt spoke to, is the agri-tech fund that was announced, and the additional resources for that in the budget.

Mr. Kody Blois: I think that's the end of my time, unfortunately. I'd like to thank the witnesses.

The Chair: You're exactly on time. Thank you, Mr. Blois.

[Translation]

Mr. Perron now has the floor for six minutes.

Is Mr. Perron here or will Ms. Pauzé be speaking?

Ms. Monique Pauzé (Repentigny, BQ): I'll be speaking.

The Chair: You have the floor for six minutes, Ms. Pauzé.

Ms. Monique Pauzé: Thank you.

I want to start by saying that I sit on the Standing Committee on Environment and Sustainable Development. Honestly, I don't feel disoriented at all when I hear from you. It's fine.

My first question is for Mr. King.

You said that you were very familiar with the bill, because you wrote it.

So initially, in the first draft, there wasn't any exemption for propane and natural gas, but now there is one?

• (1610)

[English]

Mr. Phil King: I should clarify. I did not personally draft the GGPPA. We have a team of very capable legislative drafters at the Department of Finance.

There is no exemption in the bill for propane and natural gas use. If I understand your question correctly, the measure posed in the budget doesn't consider an exemption either. It considers taking some of the fuel charge proceeds that would be paid by farmers on their use of propane and natural gas, and then returning those funds back to farmers. There's no exemption. They would still pay the price, but they would get those funds back.

[Translation]

Ms. Monique Pauzé: Okay. Thank you for the clarification.

Mr. Lawrence said earlier that a change in technology could take five to ten years. However, we know that there's currently a climate emergency.

Mr. Parry, you said that clean energy was available and that there would be new technologies to reduce on-farm fuel use. Could you name a few?

[English]

Mr. Matt Parry: As I mentioned, one example that was discussed is the Triple Green process, using biomaterial to provide the energy for grain drying, as opposed to propane or natural gas. That's one example. The government is very much open to supporting the development and adoption of that and/or other technologies.

In response to the previous question, there was significant funding announced as part of the strengthened climate plan, and again noted in the budget, for the agricultural clean technology program. As announced in budget 2021, \$50 million of that funding will be set aside to focus on new technologies related to grain drying. There is certainly a priority being put on technology in this area.

[Translation]

Ms. Monique Pauzé: I'll stop you there, Mr. Parry. I have limited time, as you know.

Europe has adopted some technologies that we're trying to implement here. Often, people start by wondering whether this will work, rather than looking at the experiences in other places.

Do you know of any technologies used in other places that could be easily implemented here?

[English]

Mr. Matt Parry: I'm not personally aware, but again, I could check with my colleagues in the department who are more familiar on the technology questions.

[Translation]

Ms. Monique Pauzé: I would like you to send the documents to the committee.

I now want to address the issue of exemptions.

Mr. King, do you think that farmers would prefer to get money back later or be exempted at source? I'm asking this question in light of a type of dependency on the government. Have you consulted with farmers to find out whether they would prefer to be exempt at source, rather than pay out money and receive money back later?

[English]

Mr. Phil King: No, we haven't consulted.

I think you probably would have heard that via the committee and via witnesses you have had. I can imagine that it's an argument for the farmers to make themselves, that they would probably prefer a complete exemption from this rather than the money coming back after the fact, but no, we haven't reached out to farmers from the Department of Finance.

I don't know if my colleagues have anything to add.

[Translation]

Mr. Gervais Coulombe (Senior Director, Excise, Sales Tax Division, Tax Policy Branch, Department of Finance): Thank you, Mr. King. I do want to add a few things.

It's important to remember that, when the greenhouse gas pricing bill was introduced, consultations were held. Before that, in 2017, a technical paper was prepared. Throughout this process, there has been an awareness campaign and extensive consultation with Canadians, including farmers, of course.

The fuel charge, which is currently in effect in the four provinces concerned, doesn't apply to many emissions from the agricultural sector. Consider, for example, all biological emissions that come from herds. These emissions constitute a significant portion of total greenhouse gas emissions.

• (1615)

Ms. Monique Pauzé: Yes, exactly.

Do I have any time left, Mr. Chair?

The Chair: You have one second left.

Ms. Monique Pauzé: One second? So I'll say goodbye.

The Chair: You did a great job as Mr. Perron's replacement.

Ms. Monique Pauzé: Thank you.

[English]

The Chair: Before I go, could I ask all the witnesses to keep their cameras on, particularly if they're still around? If you don't mind, you can all leave your cameras on while you're here. Thank you.

Now, Mr. MacGregor, go ahead, for six minutes.

Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP): Thank you so much, Mr. Chair, and thank you to our witnesses.

Mr. King, I'll maybe start with you.

In the previous exchange that you had with Mr. Blois, you expressed some doubt as to whether Bill C-206 was drafted in a way that would give the CRA clarity about its intended purpose.

When I look through the existing definitions in the Greenhouse Gas Pollution Pricing Act, it's quite clear that growing grain and harvesting fall under the definition of farming, and that the machinery used for drying it, I think, could be found under "eligible farming machinery". It's a stationary machine; it's an industrial machine on the property.

Are you still quite sure that, even if we're just making this narrow definition as to what a qualifying farm fuel is, there will be a misconception as to what its intended purpose is?

Mr. Phil King: Yes, thank you, again with a caveat that it would be up to the CRA to finally determine this. Our view at the Department of Finance would be that yes, it is a bit too vague, and in fact you yourself, in your question, just mentioned that it "could".

It talks about an industrial machine, but there's no mention of a heating machine, or thermal or heating ventilation or air conditioning type of machinery. It is somewhat vague still, so yes, I suppose we do have some doubts about that. Again, though, the final word on this would have to go to the CRA.

Mr. Alistair MacGregor: Okay. I appreciate that clarification.

With the existing greenhouse gas pollution pricing act, is it true that diesel and gasoline were mentioned under a qualifying farm fuel because currently there are no viable alternatives to those two fuels being used for the vast majority of farm equipment?

Mr. Phil King: I don't know that's the specific reason. I think it's probably because the bulk of the fuels used on farms are gasoline and light fuel oil or diesel—

Mr. Alistair MacGregor: Wouldn't one assume they were specifically listed because they, in fact, are the vast majority of fuels used on farms? Farmers don't really have an alternative to using diesel in their combines at present, for the horsepower and torque that is needed to do their operation.

Mr. Phil King: One of the considerations that would go into this is that farmers are trade-exposed. There is a limit to how much they can pass prices along, and I think that's reflected in the overall carbon-pricing regime, in which, as we heard at the beginning, the vast majority of emissions from the farming sector are not priced. It's a balancing act, and I think this was part of the consideration that went into that. My colleague, Gervais, talked about the consultations back in 2017.

Balancing those competitiveness considerations with the need to reduce GHG emissions to address the climate is why they're included, or excluded in this case, by being listed.

My colleague, Gervais, was involved in this program from the very beginning.

Do you have anything to add to my answer on that, Gervais?

Mr. Gervais Coulombe: Yes, for completeness, the federal carbon-pricing instrument was not created in isolation. It was part of the pan-Canadian framework for pricing carbon pollution, and from the outset it was clear that one of the models the federal government was looking at was the provincial carbon tax in British Columbia. When you look at the specificities of that carbon tax, there is indeed an exemption for certain fuels used in farm activities, including diesel and gasoline. That definitely played an important role in implementing a similar exemption as part of the federal package of instruments.

• (1620)

Mr. Alistair MacGregor: I'm a resident of B.C., and it's nice to see that we were able to provide that model. Thank you for your clarification on that. The crux of my question was that we have heard from farmers themselves. I agree that there are some promising technologies out there, but the feedback we've heard so far from farmers is that they're not really close to a scalable level.

The final question I have might be best answered by Mr. King. Budget 2021 mentioned there would be a return of a portion of the proceeds from the price on pollution directly to farmers. How are you going to calculate that portion? When someone says you're going to have a portion of the pie, it doesn't mean the whole pie. Can you tell us a little about the calculations that are going into play there?

Mr. Phil King: Yes, certainly, and it would be to reiterate an answer that I provided slightly earlier. That portion will be \$100 million at a price of \$40 per tonne on carbon, and as the price goes up, that \$100 million will go up too.

However, that just looks at the total operating expenditures of farms in the four backstop jurisdictions. The amount they spend on natural gas and propane, and the amount of that expenditure on natural gas and propane that comes from the fuel charge, is where the \$100 million, or the portion you speak to, comes from.

Mr. Alistair MacGregor: Thank you. I think that's my time, Chair.

The Chair: Yes, thank you, Mr. MacGregor.

Now for the second round for five minutes, Mr. Steinley.

Mr. Warren Steinley: Thank you very much.

Mr. King, when was the last time you were on a farm west of Manitoba?

Mr. Phil King: I don't recall.

Mr. Warren Steinley: That would make sense, because one of the comments you made was that sometimes you couldn't differentiate between natural gas going into a house and a grain dryer or a barn, and there is an instance where a natural gas line doesn't have its own meter that goes to a barn or a grain dryer, because many farms have different farmyards for their grain dryers and their house.

I was very surprised by that comment, because that just doesn't happen anymore. You can always tell what natural gas is going to be used for heating a home and heating a barn, drying grain or running an irrigation pump, so that was a bit surprising to me.

Mr. Parry, you've said many times that innovation is driven by carbon pricing or a price on carbon in agriculture. Do you believe that statement?

Mr. Matt Parry: I would say yes. That is the—

Mr. Warren Steinley: Okay, thanks. That's perfect.

I'd ask: Can you tell me the tax that was forced on farmers that led to the innovation of zero tillage?

Mr. Matt Parry: A tax on farmers that led to zero tillage... I don't believe there was a tax in that area.

Mr. Warren Steinley: Yes. That was an amazing innovation that led to great soil conservation and the ability of farmers to have better soil quality and more nutrients in the soil.

Mr. Parry, can you tell me the innovation that led to crop rotation for grazing for ranchers across Canada, and what tax led to that innovation?

Mr. Matt Parry: It was done through official management practices and the sharing of information among farmers. I don't believe there was a tax involved in that, so—

Mr. Warren Steinley: I agree with you 100%. I think innovation and conversations through farmers and sharing data have led to amazing innovation in the agriculture sector. I put on the record that saying—and having very senior people in the Department of Agriculture say—that innovation is brought forward in agriculture by carbon pricing is something I think many people I represent and many people I know would have a difficult time believing is the only way to get to innovation.

I think that's what this bill is about, when you talk about it. You can't get innovation. I know we talked about how there might be innovative and new technologies for grain drying. There might be, but that's five to 10 years off. The reason, Mr. Parry, you couldn't mention one is because there isn't an innovation right now that can dry 50,000 bushel bins, other than natural gas or propane. We're a long ways off of that.

This bill Mr. Lawrence is proposing is that exemption to give farmers a chance to continue to do what they do well, because there are farmers in Saskatchewan, Alberta and Manitoba who pay tens of thousands of dollars on a carbon tax because of using grain dryers and irrigation pumps.

Mr. King, you talked about irrigation. My farm still has delivery. They have a propane tank, and that propane tank is delivered by a truck into the yard, and that tank runs a motor that pumps irrigation through the pipes. It's not just a pipeline. There are still cases where propane gets delivered for on-farm use. I think Mr. Lehoux would have many people who have propane delivered to heat barns in his riding of Beauce.

Those are just a couple of things I wanted to point out. Farming is an agribusiness in Saskatchewan and western Canada, and they're very big operations. These grain dryers are solid equipment, industrial equipment, that gets used to keep people fed, not only across Canada but around the world. I believe these farmers need this exemption to make sure they can continue to provide that good service.

My final question would be: When it comes to crop rotation—and I know you guys know this very well—it is one of the great innovations in agriculture that led to keeping nutrients in the soil. Once again, I'd ask Mr. Parry: Was there a tax brought forward that induced crop rotation practices by farmers across Canada?

• (1625)

Mr. Matt Parry: I think you likely know the answer. There was no tax in that regard, but I would note that I don't think I ever said that carbon pollution pricing was the only tool, just that, in a number of circumstances, it can be efficient and effective in providing a price signal to promote innovation and the development of new technologies.

Mr. Warren Steinley: I appreciate that statement very much, and I know farmers are as innovative as they can be, because they know that their bottom line is very important. I know they do whatever they can to innovate, not only for the environment but for the bottom line and to ensure that their operation is successful now and for the next generation of farmers in Canada.

Thank you both very much for your time.

The Chair: Thank you, Mr. Steinley.

Now we'll go to Mr. Louis, for five minutes.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): Thank you very much, Mr. Chair, and thank you to all our panellists for being here. I appreciate this.

I'm just expanding on the line of questioning by my colleagues. It's fantastic that now we can say that all the major political parties agree on the importance of the price of pollution. I'm glad that the Conservatives have changed their minds and come on board with that. I appreciate that.

I want to say that everyone on this panel, from all the parties, supports farmers. Our government is supporting farmers and the innovations that were mentioned and that they are championing.

I know we have different pillars and ways of supporting them, and we all agree on pricing pollution. The government is saying that we want to further reduce emissions as much as possible and affect the impact of climate change and continue to help farmers build resilience. We also want to support that clean technology, which will also create some jobs.

If I could direct my questions to Mr. Parry off the top, you touched briefly on some new clean technologies, which are already emerging. You specifically mentioned Triple Green using biofuels. I think that's out of Manitoba. It uses dry heat and biomass fuel. I have done some studying on that, because in my riding of Kitchener—Conestoga, there's a company called Bio-En. It uses anaerobic digesters, which take the methane from the composting and turn it into energy.

Can you expand on some of the ways we can use biomass fuel to create heat?

Mr. Matt Parry: I'm afraid I might have to defer on the specific question regarding biofuels, but I would make note of the investment that I mentioned earlier that was announced in the climate plan in December. It will provide \$165 million over seven years for agricultural clean technologies.

Technologies like Triple Green and the firm you mentioned in your riding would very much be the focus of these types of funds in terms of advancing their development and promoting their adoption and scalability.

Again, if there is a specific question on technology, I can take that back to colleagues who work in our science and technology branch.

• (1630)

Mr. Tim Louis: If I understand the clean technology program, about \$10 million goes to powering farms for advancing developments. Besides the grain dryers, which was \$50 million, specifically, can this be used to reduce costs?

We've heard about the low margins of farmers. They want to be able to reduce costs in many ways. Would this involve solar? Would this involve powering tractors and equipment, as well?

Mr. Matt Parry: Yes, the funding would be applied in a number of areas. As you mentioned, there is funding set aside. About \$10 million was identified in budget 2021 to help move farmers off diesel fuel. About \$50 million was set aside for grain-drying technology, and then the remainder would be broadly available for various technologies under development.

Mr. Tim Louis: I'm not exactly sure which department to ask, but we were talking about the four provinces that have this backstop.

Can you explain what some of the other provinces are doing in this case to support the agriculture sector—the ones that do not have this federal backstop?

Mr. Matt Parry: I'm afraid I can't answer that. I don't know if any of my colleagues would have information on that. Again, I can take that question back and provide a response to the committee.

Mr. Tim Louis: That was my line of questions. I appreciate that, Mr. Chair.

Thank you.

[Translation]

The Chair: Ms. Pauzé has the floor next if she's still with us.

Mr. Yves Perron (Berthier—Maskinongé, BQ): I'm back, Mr. Chair.

The Chair: Oh! Good afternoon, Mr. Perron. You have the floor for two and a half minutes.

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

I want to take this opportunity to thank the witnesses who are here today, since I didn't have the chance to do so in the first round.

I know that this question has been asked before, but I don't believe that we've received a clear answer. I don't know which one of you will answer my question. However, I want to know why the exemption for propane and natural gas wasn't included in the first draft of the Greenhouse Gas Pollution Pricing Act.

We can understand why diesel and gasoline were exempted, since it makes sense for production and other reasons. However, most witnesses say that propane and natural gas are less harmful to the environment and that no other options are accessible or economically viable, despite the innovations being made.

Why wasn't this exemption included in the first place? It appears to be in keeping with the spirit of the legislation.

Mr. Gervais Coulombe: I can answer first. Mr. King can comment afterwards.

The first thing to remember about the fuel charge is that the rates reflect the equivalent carbon content of each fuel. The use of one litre of propane or natural gas will produce far less greenhouse gas in terms of energy than the equivalent of one litre of diesel or gasoline. The overall architecture of the fuel charge already takes into account that some fuels are cleaner than others.

Mr. Yves Perron: I understand your point. However, you seem to be confirming that the most polluting fuels are exempted, while the least polluting fuels are not. Yet the least polluting fuels are essential for drying, among other things. That's what I don't understand.

Mr. Gervais Coulombe: When the overall policy on the Greenhouse Gas Pollution Pricing Act was put in place, the idea was also to build on the carbon tax model in British Columbia. The exemption included and passed by Parliament roughly mirrors the exemption in place in British Columbia.

In addition, when we had discussions with our provincial and territorial partners, we also had to take into account some provincial systems that didn't exempt any fuel used by farmers at all, and—

• (1635)

The Chair: Thank you, Mr. Coulombe. Unfortunately, Mr. Perron's time is up.

Thank you, Mr. Perron.

[*English*]

Now we have Mr. MacGregor for two and a half minutes.

Go ahead, Mr. MacGregor.

Mr. Alistair MacGregor: Thank you, Chair. Maybe my question will be for Mr. Parry, with Agriculture and Agri-Food Canada.

I don't really have many more questions on Bill C-206 per se, but I am interested in whether or not the Government of Canada has done an analysis of the carbon sequestration potential in Canada's farms.

I know in budget 2021 there were \$60 million dollars allocated over the next two years for the nature smart climate solutions fund,

and that's really to protect existing wetlands and help save trees on farms. However, I'm just wondering, overall, whether we have done an in-depth analysis of Canada's agricultural soils and really what our sequestration potential is if we're really going to be depending on them to act as a carbon sink as a part of our overall fight against climate change?

I'm just wondering if you could give the committee an update on that.

Mr. Matt Parry: It's a very important issue, and you noted the new program that was announced last year as part of the fall economic statement. It's now referred to as the agricultural climate solutions fund, which Minister Bibeau announced in mid-March. The focus of that program is indeed on accelerating carbon sequestration in agricultural soils.

I can't speak to specific numbers. I'd have to refer to a colleague from our science and technology branch for that, but it is commensurate with the level of funding associated with this initiative, \$185 million over 10 years. It is identified as a key opportunity for the sector in terms of, in essence, effectively mitigating our emissions in the sector more generally.

It is absolutely a priority for the government, and significant efforts are being made in this area.

Mr. Alistair MacGregor: That's it for me, Mr. Chair. Thank you.

The Chair: Thank you, Mr. MacGregor.

Now for the five-minute round, we have Mr. Epp.

Go ahead, Mr. Epp, for five minutes.

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, Mr. Chair. I'm going to allow Mr. Lawrence to begin.

Go ahead, Philip.

Mr. Philip Lawrence: Thank you.

Thank you very much, Mr. Epp.

Mr. King, I just want to follow the line that Mr. MacGregor took earlier.

When we look at the definitions of Bill C-206, to me it's absolutely clear, in fact it's crystal clear—and that's in fact what our parliamentary lawyers have all said as well—that grain drying is included.

If we look, in fact, and we ask, what's the definition of farming, it almost certainly includes the growing of grain. What is "eligible farm activity"? That includes the operation of eligible farming machinery. What is "eligible farming machinery"? It is an industrial machine or a stationary or portable engine.

All of that fits grain drying to a T. I don't understand how you could possibly conceive that grain drying is not included in this, and I think it's just silly to say otherwise.

Mr. King?

Mr. Phil King: I'm not sure of your question, Mr. Lawrence.

Mr. Philip Lawrence: I'm asking you how could you possibly conceive of grain drying not being included in Bill C-206, when it's clearly a farming activity done on a farm with a machine. Are you saying that a grain dryer is not a machine? Are you saying that growing grain is not farming?

Mr. Phil King: I would say that in putting legislation together you have to be very specific. If this amendment was to move forward—and that's not up to me—then it should be clarified.

Mr. Philip Lawrence: It's clear. It's crystal clear.

Mr. Phil King: It's not a big deal; it just should be clarified.

Mr. Philip Lawrence: It's crystal clear. In fact, planting is not included in the definition of “farming” in this act, but I think you were going to call and say that planting is. Would you say that planting is part of farming?

Mr. Phil King: Again, just to reiterate, I can give you my view. It's up to the CRA to determine finally and once and for all if it is included. However, my view is that it's not.

Mr. Philip Lawrence: It's funny you should say that, actually. Are you aware that the CRA, in the Income Tax Act, has a definition of “farming”?

Mr. Phil King: Yes.

Mr. Philip Lawrence: Did you know that it includes grain drying? The ultimate arbitrator has already ruled.

I will read to you, underneath the definitions of section 248, a farm activity will include processing that is “necessary to turn the harvested product into a saleable product”.

When grain is wet, it is not saleable. It has to be done.

Mr. King, do you understand how silly this sounds right now?

● (1640)

Mr. Phil King: I don't see your point, Mr. Lawrence. If this was to go forward, you want to make it as clear as possible. To make it as clear as possible, you can modify it.

Mr. Philip Lawrence: It is clear. The CRA has ruled. They say, and I read to you, under section 248, farming is to include activity “necessary to turn the harvested product into a saleable product”. That's exactly what grain drying is.

Mr. Phil King: Then, if the CRA has spoken, you have your answer. As I said, it's the CRA that determines this, so it's not for me to say.

Mr. Philip Lawrence: Thank you.

I'll give the rest of my time to Mr. Epp, Chair.

Mr. Dave Epp: Thank you, Mr. Lawrence.

Mr. Parry, I believe you said in your testimony that agricultural greenhouse gas emissions have been stable since 2005. What does that tell you about the rising production from agriculture since

then? With rising greenhouse gas emissions from virtually every other segment of our society, what does that tell you about the innovation and environmental stewardship of the agricultural community?

Mr. Matt Parry: It states that the sector has made significant progress in reducing the emissions intensity of production and in producing agricultural products more sustainably, with a lower greenhouse gas emissions content. It speaks to the innovative capacity and performance of the agricultural sector in Canada.

Mr. Dave Epp: I think it would be fair to state that it's been done in the context of the absence of a punitive tax.

Mr. Matt Parry: The progress has been achieved over a number of years that predate the current carbon pollution pricing system. That's true.

Mr. Dave Epp: Thank you.

Earlier in the testimony we touched on sequestration over that time period. How is that being recognized or being contemplated moving forward in this budget?

Mr. Matt Parry: I would note two elements to that. One would be the program I mentioned previously, the agricultural climate solutions program, which is focused specifically on carbon sequestration. As well, there was a subsequent announcement in budget 2021 that talked about an additional \$200 million that would be devoted to on-farm action over two years. It would be about—

Mr. Dave Epp: I was referring to all the sequestration since 2005 or earlier, not moving forward. It was more rhetorical. Thank you.

I have one last question, for Mr. King.

Is there any confusion in your mind with regard to wind fans—innovations that Ontario and B.C. farmers have put into orchards and into vineyards—as far as those being an eligible piece of farm equipment?

The Chair: Give a quick answer, Mr. King, please.

Mr. Phil King: That's something I'd have to look at. I can't answer on the spot like that. It needs due consideration.

The Chair: Thank you, Mr. King.

Thank you, Mr. Epp.

Mr. Ellis, you have five minutes. Go ahead.

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

Many great questions have been asked today, so I don't know how many questions I'll have.

I'd like to thank everybody for attending today. I see that most of you are working from home. It's been a great year, and you guys have been successful working from home.

I think my question would be for Mr. Parry, and you kind of touched on it already. What tools can the federal and provincial governments put in place to facilitate a transition to a greener agriculture?

Mr. Matt Parry: There are a number of things the government can do in terms of working, for example, collaboratively with the sector, with scientists. The department has a program called the living laboratories initiative, which is about working together with farmers in the fields and with scientists to develop beneficial management practices that are very much geared to the local circumstances and conditions in the different regions of Canada. I think that will be a particularly important area of work to promote going forward.

There's been discussion earlier today about the benefits and progress that have been made through cover cropping and no-till farming, for example. Continuing to work with the agricultural community, scientists and other local partners, I think, is a particularly important area. As well, I mentioned earlier about clean technology and advancing the development and adoption of clean technology.

• (1645)

Ms. Judy Meltzer (Director General, Carbon Markets Bureau, Environmental Protection Branch, Department of the Environment): Maybe I can just jump in.

As Matt mentioned, it's a mixture of incentives and investments. One of the ways in which we're looking to create economic opportunities by sequestering carbon, for example, in the agricultural sector is through the development of a federal GHG offset system. It's currently under development. We have draft regulations. This is going to provide an economic incentive to reduce or remove carbon in activities that aren't carbon priced, including in sectors such as agriculture and forestry.

One of the protocols we're going to be looking to develop first is an enhanced soil organic carbon protocol, so that we can create a financial incentive for farmers and recognize some of their innovative work, and as a complement to carbon pricing. I just want to mention that as just one example of an incentive that we're developing.

Mr. Neil Ellis: Thank you.

I believe this would also be for Mr. Parry.

One of the witnesses—and I'm not sure which witness, as we've had a great number of witnesses—testified that there was a program. I don't know if it was a provincial or a federal program. I'm wondering if you would know that, that there was a program to update grain dryers. This program that she spoke about must have been a few years back. I just don't know if you know anything about the program that was out there.

Mr. Matt Parry: I believe it was referring to a program that the Alberta government had to retrofit grain dryers. I believe it might have been Ms. Ross, from Farmers for Climate Solutions, who might have discussed that with the committee previously. I believe that was the program in question.

Mr. Neil Ellis: You mentioned retrofitting. Do you have any numbers on retrofitting grain dryers and of how more efficient they

can get? I guess, from this program that she spoke of, there must be some inefficiency in older grain dryers.

Mr. Matt Parry: Yes, that's my understanding as well. I believe that that Alberta program was successful in supporting a number of retrofits. I'd have to get back to you with the specifics of that and the improvements that were achieved through it.

Mr. Neil Ellis: I have one quick, last question. I believe this would be for Mr. King.

If Bill C-206 passes, what message does this send to other sectors?

Mr. Phil King: Passing it would be a parliamentary decision, so it's not for me to say what message it would send. That's for Parliament or the government to address.

Mr. Neil Ellis: Okay. Thank you.

That's the end of my questions, Chair.

The Chair: Thank you, Mr. Ellis. We're doing great with time.

If I may, I'll add a question or statement. I don't know if any of the witnesses can help me.

There was, to me, some misleading information. I heard that because natural gas or propane has a low humidity content, the grain would dry a lot faster with these fuels than with others. From my days on the farm—and I've been around a few dryers—I know that the flame doesn't directly dry the grain. It goes through a heat exchanger, so to me that's irrelevant to the fuel.

Also, biofuel and biomass heating have been around for a long time. Actually, I've had a biomass boiler for over 30 years, and there's been a lot of improvement. I've seen one on the island and it burns straw. I think there was also some statement saying that if we removed the straw, we'd lose some valuable nutrients, but we do that all the time when we want to sell straw or other products.

I'm just curious if this could be accelerated, because there's already technology out there. It's more of a statement, but if somebody wants to comment on that, I'll take it. If not, we can move on.

I want to thank Mr. Goodlet and Matt Parry from the Department of Agriculture and Agri-Food, Phil King and Gervais Coulombe from the Department of Finance, and Judy Meltzer from the Department of the Environment. Thank you all for being here.

We will suspend for a few minutes and then come back with our final witness. Don't go too far; we'll be back shortly.

• (1650)

(Pause)

• (1655)

The Chair: We're ready to go to our next panel.

[*Translation*]

We're joined by Serge Buy, chief executive officer of the Agri-Food Innovation Council.

We would like to welcome you back to our committee, Mr. Buy.

You have five minutes for your opening remarks.

Mr. Serge Buy (Chief Executive Officer, Agri-Food Innovation Council): Thank you, Mr. Chair.

[English]

Thank you for inviting me again to appear in front of your committee. The last time I presented was in February. There was a snowstorm, and I think I reflected on the challenges of the Internet in rural regions. I am proud to say that we've had an upgrade in our region, so I should be fine on my Internet today. As well, there is no snow.

When I appeared the last time, it was to discuss processing capacity. I note that your report has come out, and I would really like to congratulate the committee on a great report that came out, with substantial recommendations. My hope is that the government will reach out to stakeholders in order to discuss implementation—stakeholders such as us.

That would be great to see, but I'm here to discuss Bill C-206, Mr. Chair.

I wanted to mention first that the intent of the draft legislation is to extend the exemption on the carbon tax to some farming operations that use propane and natural gas. As you know, reducing GHG emissions is a priority. It's a priority for Canada. It is a priority for farmers. However, when there are no viable options, farmers shouldn't be penalized for doing what they do best: feeding Canadians and contributing to our economy.

We are certainly supportive of this legislation, and we are supportive for the following reasons.

At this point, there are no viable options that are scalable to serve the whole sector. While there are some new technologies, they still need to be researched, especially in terms of how they adapt to our particular conditions in Canada.

The scalability of those new technologies is also an issue. We're simply not there yet, and we must be realistic that we will not be able to scale up those new technologies in the near future.

We've researched the issue, Mr. Chair. We've consulted our members, and there was an almost unanimous response from our members on this issue. Increasing the costs for farmers will lead to some abandoning agriculture, and this will have a negative impact on our jobs, on the trade balance and also on our food security, an issue that we should really consider specifically.

The AIC recently held a webinar on agrifood and climate change. It included international experts such as Dr. Ould-Dada, deputy director at the UN food and agriculture organization; Dr. Ringler, who is with the International Food Policy Research Institute; and Dr. Sally Rockey, a long-time senior civil servant in the U.S. and now executive director of the Foundation for Food and Agricultural Research.

They all agreed with the following statement: It is important to consider food security when implementing measures to reduce GHG emissions in agriculture, and sustained investments in research and innovation are essential to support reductions in GHG emissions in agriculture and adaptation to climate change.

We certainly agree with those two statements from our experts, and we believe that the committee should reflect on those and pass [*Technical difficulty—Editor*]. However, we also believe that the exemption should go to other types of farming.

The exemption right now is limited to some types of farming, and we believe that it is not fair to penalize other types of farmers, such as farmers who have barns and need heat for animals. It's not fair for them to be left aside. There are other types of farmers who also do important work and provide Canada and Canadians with an important service that is required, and we believe that they should also be considered in and supported through this legislation.

As well, Mr. Chair, we believe that the measure should be permanent. This was a topic of some discussion within our council, but ultimately the great majority of our members who responded to the survey indicated that it was important to extend the protection on a permanent basis.

• (1700)

The rationale for this is simple. Farmers make significant investments in material and equipment. For them to have a temporary measure will increase concerns and affect their ability to plan financially and get new machinery. As no machinery and no technology is scalable at this point to enable them, in a viable manner, to have other sources of fuel, such as clean and renewable fuel, we believe that the measure should be permanent to give them certainty—and I stress the word certainty—that there will be no changes in the near future.

Mr. Chair, there are greener alternatives, and there are various alternatives such as gasification systems, low-temperature pyrolysis, anaerobic digesters and battery-based equipment. There certainly are different alternatives, but there are several factors that work against those alternatives. I mentioned that they're often not viable. The price is simply too high and the price to scale them is not feasible.

We also have to remember that our farmers compete internationally against the U.S., Russia, Brazil and other countries. We have to be careful on that—

The Chair: Mr. Buy, thank you. We'll have to move on to the question period. Thanks for your opening statement.

We'll go to Mr. Epp for six minutes.

Go ahead, Mr. Epp.

Mr. Dave Epp: Thank you very much, Mr. Chair.

Thank you, Mr. Buy, for your excellent testimony and also an excellent brief. I note that it would be very difficult to describe your organization as a fly-by-night organization, given that, if I do the math right, you've been around for 101 years. Thanks to your organization for its service to the agriculture and agri-food value chain.

Initially, in your brief, you talk about requiring a time frame of at least a decade. Can you expand on that? Why do you require a decade for the exemption for natural gas and propane?

Mr. Serge Buy: We are aware that there are new technologies, and we are aware that new technologies will be in place at some point that will potentially offer Canadian farmers other options. We do not believe that it will happen soon.

They need to be researched. They need to be tested. They need to be adapted, on occasion, to our Canadian reality. Then, after that, they need to be scaled up in terms of production, in terms of the capacity to distribute and in terms of manufacturing. It will take time, and we are very conservative in saying 10 years.

• (1705)

Mr. Dave Epp: You also mentioned the implications for Canada's food security. If this issue is not approached properly, there could be implications. Obviously, we all know that Canada competes internationally. We're in a northern climate. Can you expand upon your views and the potential risks around food security?

Mr. Serge Buy: Well, you know, Mr. Epp, last spring something happened to me that I never thought was possible. I went to the grocery store to buy flour, and I couldn't find any on the shelves. For the first time, a lot of Canadians like me found ourselves unable to buy things that should normally have been sold. Food security in Canada is certainly a new issue, maybe not for northern populations or for people in poverty, but for a good portion of Canadians it certainly is a new issue. We've had some significant challenges in distribution and with other issues.

Here, the impact is simple. If some producers decide to close, and if some producers decide to abandon or change their focus to other types of farming, the whole system will be affected. We are very concerned about that. If suddenly a lot of the grain operators decide that heating silos to maintain the dryness in the grain is not sustainable, and suddenly they start closing, what is our economy going to do? How are we going to produce the grains that feed our cattle, that feed other animals and that we consume ourselves? This is what we are talking about—food security.

I note that it's not just me talking about it. I quoted three different experts from the UN. Those are internationally recognized experts. We have to be careful with measures to limit GHG emissions.

Mr. Dave Epp: Thank you.

You mentioned specifically that the heating of barns was carved out. I know we've had discussions with the previous panel and at other times as to potential confusion around some other eligible farm equipment. I would assume that your members would think that wind fans for orchards and vineyards, irrigation equipment and other things like that, powered by natural gas and propane, would be considered farm equipment.

Mr. Serge Buy: Absolutely.

Mr. Dave Epp: Thank you.

Talking about alternatives, there are some alternatives on the horizon. Can you talk to me about the efficiency, and how the agriculture community responds to incentives, be they financial incentives to explore alternatives versus taxes or punitive measures? For

example, can you talk about the efficiency of an exemption considered under Bill C-206 versus a pay and rebate program?

Mr. Serge Buy: You know, incentives are great and we need to have an approach that is mixed. The exemption is essential, because the farming community cannot turn around quickly. However, incentives will be needed to support adoption.

If I look at the Bioscience Association of Manitoba, that's one of the things it indicated in its response to us. A mixed approach of incentives and exemptions will probably be required in the future to support adoption.

However, the adoption is not just incentives. It's also information. It's also trust. It's also testing. It's also seeing it working.

It will take time, Mr. Epp.

Mr. Dave Epp: You reference Canadian-made solutions. What do you mean by that?

Mr. Serge Buy: Well, it's interesting. There are some solutions in Europe, but the problem is they are not fully tested in Canada, and some of them are not fully working in the same way in our climate.

We have to be a bit careful on this. We would be probably more to likely support Canadian-made solutions. We need to invest in those solutions, but not only Canadian-made but Canadian-commercialized solutions. Too often, we find a solution, we find an idea, and it goes somewhere else.

Mr. Dave Epp: Thank you.

I'm going to ask one more question. Can you speculate, I guess, if the current method of rebates remains in place, can you comment on the level of confidence the ag community has that rebates will stay at \$170 per tonne, if no viable alternatives are there for farmers?

• (1710)

Mr. Serge Buy: There is a lot of concern in the farming community, Mr. Epp. You have heard it quite a bit. We need the exemption to be there. That's what the farming community wants and has asked for.

The Chair: Thank you, Mr. Buy.

Thank you, Mr. Epp.

[*Translation*]

Ms. Bessette, you have the floor for six minutes.

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

Mr. Buy, thank you for joining us today as we study Bill C-206.

In its brief, the council states that the exemption proposed in Bill C-206 should be permanent, since the temporary measures deter capital investment.

Wouldn't it be advisable to discourage investment in equipment, such as grain dryers, if that equipment will become obsolete during the transition?

Mr. Serge Buy: Ms. Bessette, you're saying that we should stop drying grain at this point until new technologies are in place. I think that we should be careful about that. We shouldn't prevent the purchase of this equipment [*Technical difficulty—Editor*]. We must keep producing grain. The government is encouraging us to increase food and agri-food product exports to \$70 billion. That's fine. However, to do so, we must continue and forge ahead. If farmers were asked to wait for new technologies before investing, it wouldn't help the situation.

Mrs. Lyne Bessette: Thank you.

You also recommend government investments in agricultural research. The 2021 budget includes several of these types of investments, such as over \$300 million in research and \$50 million to fund more energy efficient grain dryers.

In your opinion, how will these investments affect the agricultural sector in the medium term?

Could we speed up the transition by investing more money?

Mr. Serge Buy: I must congratulate the government on some of its investments. We aren't here just to criticize, but to express an opinion. Some investments have been very good in this area. However, to implement a more permanent solution for the entire sector, such as grain drying systems that use alternative technologies, we'll need more than \$50 million here or \$300 million there. It will require a much greater effort in this area and it will take a lot longer.

I would advise the government to keep investing and working with the agricultural community on these types of things.

Mrs. Lyne Bessette: Thank you.

In your recommendations, you wrote that extension services must be strengthened to help farmers adopt new technologies.

Could you tell us about this recommendation, please?

Mr. Serge Buy: Absolutely. I'm glad that you asked the question.

In the 1980s and 1990s, we saw the destruction of all the extension services in which people helped farmers better understand the situation and learn about technologies, advancements and resources. Well, the services weren't entirely destroyed. These types of services still exist to some extent in certain provinces. However, their scope has definitely been limited. I think that this is a big mistake.

If you want farmers to better adopt new technologies, you must reinvest in making sure that people can explain these technologies to them and guide them through the process.

Mrs. Lyne Bessette: Thank you.

One of my colleagues asked the previous witnesses a question earlier. I'd like to hear your thoughts on it, to wrap up.

Do you know how other countries are transitioning to greener farm fuels? What does innovation in this sector look like around the world?

Mr. Serge Buy: Another good question.

It depends on the country. In France and Germany, for example, many things are done to help producers make the transition. In particular, there's a great deal of funding for producers. This isn't the case in Canada. We aren't at the same level. In those countries, given the subsidies that they receive, farmers can afford to adopt these extremely expensive technologies. Most farmers couldn't afford to do so otherwise.

However, our environmental concerns may not be shared by other countries, such as Russia or Brazil, which still compete with us. Our farmers, if they want to sell their grain, must be able to compete with these types of countries.

That's why I'm saying that we must really pay attention to our actions. As the saying goes, it's better not to kill the goose that lays the golden eggs.

• (1715)

Mrs. Lyne Bessette: Thank you.

That's it for me, Mr. Chair.

The Chair: Thank you, Ms. Bessette.

Mr. Perron now has the floor for six minutes.

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

Mr. Buy, thank you for joining us today.

I want you to talk about these new greener solutions that you identified very quickly earlier, including the digester. You spoke of a 10-year period.

When you say that this is a modest estimate, does this mean that you think that we could develop these solutions earlier?

Mr. Serge Buy: No, it means the opposite. I think that it will take a little longer to implement some of these technologies.

Actually, it depends. If we're talking about the development of these technologies in the test phase [*Technical difficulty—Editor*]. However, to get them to a level where they can be rolled out across the country, I think that it will take more than 10 years.

Mr. Yves Perron: What type of federal support program could help you with these tests?

Mr. Serge Buy: As Ms. Bessette said earlier, some of the investments in the budget are partly a step in the right direction. However, I think more investment is needed, as is greater co-operation between government and the sector.

In my brief, you will notice I talk about how Agriculture and Agri-Food Canada's website depicts agriculture to the public. Many farmers, many of our members and I, personally, feel the tone of the website is offensive and attests to a lack of co-operation.

That kind of thing needs to change. In addition, more co-operation and greater investments are necessary. That will go a long way towards making things better. I am hopeful, but I think it's going to take some time.

Mr. Yves Perron: We, too, were pleased to see the proposed investments.

Doesn't \$10 million for clean energy and \$50 million for grain dryers seem—how shall I say—inadequate to you? Aren't those investments just a drop in the bucket?

Mr. Serge Buy: Were you going to say “paltry”? That's one of the words used—

Mr. Yves Perron: I wouldn't dare. Otherwise, I'd be accused of thinking money grows on trees. Be that as it may, there is money to be found in tax havens and the like.

All kidding aside, let's be constructive. Go ahead, Mr. Buy.

Mr. Serge Buy: If farmers ever figure out how to grow money, you and I probably won't be around to see it, Mr. Perron. For the time being, though, we can agree that money does not grow on trees, so it has to come from somewhere.

That said, Canada's investment has to match its ambition. The government wants to reduce greenhouse gas emissions—so be it. However, our counterparts in Europe are receiving a whole lot more in the way of funding than we are here, in Canada. That is the simple truth.

Mr. Yves Perron: Yes, we often hear that other countries provide more support for agriculture than Canada does.

I want to come back to the program to develop and test technologies. What would that look like to you? Would it be pilot projects?

Mr. Serge Buy: Some pilot projects have already been initiated. Manitoba, Ontario and Quebec all have pilot projects under way. Radio-Canada actually did a great story on the subject recently.

It will take more than a pilot project or two to expand these kinds of initiatives across the sector. It's going to take further research in various areas, commercialization and the ability to purchase basic equipment in order for the uptake of new technologies to spread across the country. It's going to take more than a few small pilot projects.

If you're asking me what it's going to take, my answer is this: a coordinated effort on the part of government and producing industries to find new technologies and invest heavily in those technologies, in related research and in implementation. It has to be a direct system-wide approach based on increased co-operation.

• (1720)

Mr. Yves Perron: You talked about the need to invest heavily in research and development and to move quickly to advance those efforts. We agree on that.

When you answered a question from Ms. Bessette earlier, you said a permanent exemption was needed to support investment. If memory serves me correctly, one of the witnesses we heard from was Ms. Ross. She had a new dryer and told us that it was more efficient, so better for the environment.

Do you think farmers should still invest in improving their current dryers, or should they keep their money until new and better technologies emerge, say in seven or eight years?

Is it appropriate to focus on upgrading current dryers?

Mr. Serge Buy: That's a very good question. Since there are no viable alternative technologies [*Technical difficulty—Editor*], the research has to continue. Halting that progress would be a mistake, in my view. Yes, I think it's important to continue investing in the current technology, as research into other types of technology advances.

Mr. Yves Perron: Doesn't it concern you that farmers who made those investments will have to wait 20-odd years before they can make further investments?

In the meantime, new technologies will be developed, but you think, overall, it still makes sense in terms of the environmental benefit. Is that correct?

The Chair: Please answer quickly, Mr. Buy.

Mr. Serge Buy: It's a tough balance to strike. Right now, it would be a bad idea to halt either current investments or research progress.

The Chair: Thank you.

[*English*]

Mr. MacGregor, you now have six minutes.

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

Thank you for being back before our committee, Mr. Buy. I appreciate hearing from you on all of this.

When your organization first saw the Greenhouse Gas Pollution Pricing Act and you went through the definition part of the act, when you came to the qualifying farm fuel, it's quite obvious why gasoline and diesel are there. It's because there aren't any viable alternatives at present that can produce the amount of power needed to operate a modern farm.

Would you agree with that statement?

Mr. Serge Buy: Yes.

When the act first came into being, did your organization or farmers in general have any reaction when you didn't see propane and natural gas listed under the same "qualifying farm fuel" definition?

Mr. Serge Buy: We didn't. It was not a topic that was raised directly by us. Other farm groups had been involved, and we got involved when there was a discussion about research and innovation, where they stand and where we are on that, so we could provide you, as an example, a better understanding of the state of research and innovation.

Mr. Alistair MacGregor: Yes. I think the intention in putting a price on pollution is to incentivize a change in behaviour, but only if we have an option for people to migrate to. I think your comment about incentives being needed to encourage adoption rings very true for members of this committee.

I mean, if you look at zero-emission vehicles, a lot of people really only started buying them because, for example, here in British Columbia you got a combined \$8,000 federal and provincial rebate for purchasing one. Of course, in the early days, the vehicles didn't have much range and they weren't as convenient, but now you're starting to get cars on the market that have a 400-kilometre or 500-kilometre range on a single charge. They can do all of the things that a gasoline car does, except maybe a trip right across the province. It takes some time, but eventually it will be like a snowball effect. It will build up enough pressure that it starts going on its own.

In terms of the new technologies that are coming out, what in your view seems to be the most promising? Are there a lot of companies involved in innovation in this field? Is there a lot of competition? Is there a lot of capital investment in trying to find out which one of these new technologies will actually become commercially viable?

Mr. Serge Buy: I would say that there are companies in place that are trying to look at alternatives. I had communication with one of them on Friday, as an example, that is looking at low-temperature pyrolysis. Do not ask me the details of it. I failed science in high school.

There are different options and different systems in place. Yes, I am aware of companies that are looking at this right now. There are a number of them, including some that are putting some money into it. This is why I believe there is hope and there will be a change, but we're saying it will take some time.

• (1725)

Mr. Alistair MacGregor: I caught your chuckle in your exchange with Mr. Perron, when he mentioned the \$10 million—over two years, might I add—so if we are going to be serious about this, about powering farms with clean energy and moving off diesel, I take it that in your opinion far more investment is needed in that area.

Mr. Serge Buy: Canada is at a junction, right? A few years ago, agriculture was seen as a money sink, where most of the time the government was subsidizing farmers. Then, three or four years ago, there was the Dominic Barton report, which said that agriculture and agri-food are a significant player for our economy and job creation [*Technical difficulty—Editor*]. If that is the case, then we need

to be supporting it in the way that our competitors are supporting it. That will require sizable investments, as we've done for other sectors, such as automobile manufacturing and oil and gas. Let's look at what we can do and let's try to invest properly to make things happen in the way we want them to.

Mr. Alistair MacGregor: Finally, in the previous panel of this meeting, we asked officials from the Government of Canada about the differences—about how diesel and gasoline were listed in the act but propane and natural gas weren't—and I think a suggestion was made that it was because of the way the fuel was delivered. You can easily measure fuels like diesel and gasoline for farm use, but because propane and natural gas are shipped through pipes, if they come to a property, they suggested, it might be hard to distinguish whether they are being used for home heating or the barbecue or actual agricultural activity.

Do you have any comments on that suggestion?

Mr. Serge Buy: I would go back to the same public servants who mentioned that and ask them whether, when they go to their office, they charge their personal phone on the electricity from the government's office. Should they be charged separately on that? Maybe that is something we should look at.

You know what? If we're going to nickel and dime farmers on this, it's not a good idea. I think that's not a very reasonable answer, to be frank.

Mr. Alistair MacGregor: Okay.

Thank you so much for your testimony today.

The Chair: Thank you, Mr. MacGregor.

That's the time we have, but perhaps I might pose a quick question.

We know that our biggest competitor but also our biggest market is probably the U.S. We know there's a change in the administration and they are really going to tighten up the carbon emissions. If they should impose a carbon price on farmers... They're also talking about a tax if they don't deem a company's product to be environmentally sound.

Because of our higher heating costs here in Canada and so on, do you think that would change your views on how we should deal with this, and should we just have more incentives to develop the technology faster?

Mr. Serge Buy: I think we need to develop the technology as fast as we can. We also have a Prime Minister who says he has a great relationship with the new President, so I'm sure we're not looking at taxes on our products or any of those negative impacts.

Let's work on that. Let's put some incentives in place. Let's support and finance the adoption of those technologies, but let's be careful for the farmers who exist presently.

Mr. Chair, you're entirely right. There is a new administration, a new sheriff in town south of the border, probably a bit less loud than the previous one, but there is a new sheriff in town. We're certainly hopeful of seeing some positive changes from that.

Let me be very clear, Mr. Chair. We believe there should be changes and we believe that we should reduce GHG emissions. We just believe we need to do it carefully and not penalize the farming community, which is doing so much to help our country.

• (1730)

The Chair: Thank you very much, Mr. Buy, for your time here. It was very interesting.

I want to thank the whole committee. I think this is our last meeting on this topic. It was a great job.

That will conclude our meeting for today, and we shall see you all on Thursday.

Thank you, everyone.

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