OFA Perspective on Greenhouse Gas (GHG) Pricing in Canada

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Two parts of the Greenhouse Gas Pollution Pricing Act (GGPPA)

Part I: Fuel Charge

Regulatory charge on fuel (Carbon Tax)

- a federal fuel charge (based on the annual carbon price) paid by fuel producers, distributors, and certain prescribed users on 21 types of fuel and combustible waste, and

Part II: Industrial Greenhouse Gas Emissions

- Output-Based Pricing System (OBPS) requiring large emitters in certain industries that emit 50,000 tonnes of GHG or more per year to meet GHG emissions intensity standards by reducing their emissions, remitting for retirement surplus carbon or offset credits and/or paying a carbon tax on excess emissions.

The Fuel Charge (Carbon Tax)

- The levy is applied to fossil fuels based on how much greenhouse gas they release when burned.
- The federal carbon tax started at $20/tonne in 2019, and was planned to increase by $10/tonne until maxing out at $50/tonne in 2022.
- Currently, $30 per tonne of CO_2 equivalent (2020), and this will rise to $40 per tonne on April 1, 2021.
- The goal of Canada's pollution pricing plan is to cut carbon pollution by 30% below 2005 levels by 2030.

Current OFA Position on Climate Change

- OFA acknowledges that Climate Change is happening
- We recognize this as a global challenge requiring action and investment from governments, communities, businesses, and individuals.
- OFA believes that policies, programs, and research initiatives must be developed with government and society to reduce the causes (mitigation) and to enable farmers to cope with the effects (adaptation) of Climate Change.
- Furthermore, we believe that no provincial or federal Climate Change policies should have the effect of negatively impacting the ability of farmers in Ontario to compete in domestic or international markets.

Current OFA Position on the Federal Carbon Tax

- The Federal Carbon Tax is an ineffective instrument to drive down emission from Canada's agriculture sector.
- Energy use in agriculture is often highly price inelastic – a legislated increase to the price of fuels because of a carbon tax will have a relatively small effect on the quantity of the fuels demanded for food production.
- There are currently limited or no commercially viable replacements for fossil fuels in agricultural production, and major efficiencies in fuel use have already been achieved.
- Majority of agricultural products are marketed in a global marketplace where farmers have little or no ability to pass the cost of a carbon tax on to the consumer

Impacts of the Carbon Tax on Farms

- Under the GGPPA, diesel and gasoline used in certain farming activities are exempt from the carbon tax, *dependent on a number of defined conditions*

- The act defines when that exemption applies by defining who is a farmer, what is farming, what is an eligible farming activity, what is a qualifying farming fuel, and what sorts of machinery those fuels can be used in.

Impacts of the Carbon Tax on Farms

- The current definition of ***eligible farming machinery*** explicitly states that it *does not include* property that is used for the “purpose of providing heating or cooling to a building or similar structure”

- As a result – the carbon tax affects some commodities more than others

Impacts of the Carbon Tax on Farms

Direct costs are most acute in:

- Indoor livestock commodities (poultry facilities, hatcheries, indoor recirculating aquaculture, pork farms) and
- Grain drying.

Greenhouse sector (including flowers) receives an 80% rebate on the carbon tax for natural gas

– however even with that rebate the Ontario greenhouse sector will see a cumulative cost of just under $163.5 million over a ten-year period

Impacts of the Carbon Tax on Farms

Increasingly, for some commodities, the *indirect costs* or upstream application of the carbon tax, is eclipsing the direct costs.

Feed costs – from increased cost of grain drying

Trucking

Fertilizer

Etc.

Current OFA Requests

OFA recommends that the Federal government broaden the agriculture exemption under the Carbon Tax by including natural gas and propane in the list of qualifying farming fuels under the GGPPA, and revising the definition of eligible farming machinery to include "machinery used for the purpose of providing heating or cooling to a building or similar structure" so that the agricultural activities of grain drying and the heating of livestock barns can be exempted from the fuel charge.

Current OFA Requests

OFA recommends the federal government to work with provinces and territories to develop additional financial incentive programs focused on improving soil health and increasing organic matter content in soils to enhance its carbon capture abilities and build capacity to adapt to a changing climate, and

OFA further recommends that the federal government to provide additional federal government funding in the successor agricultural policy framework agreement to the Canadian Agricultural Partnership for financial incentive programs focused on improving soil health and increasing organic matter content in soils.

Current OFA Requests

OFA recommends the federal government address increased farm input, farm services, and capital purchase costs, caused by carbon pricing, by identifying and prioritising spending under the proposed *Healthy Environment and Healthy Economy Plan* (HEHE) plan to specifically target these indirect costs associated with the price on carbon that are transferred to farmers.

- The federal government should implement a cost-share program to assist with equipment upgrades across the agricultural sector where indirect costs have been identified.

- Further, the federal government should provide support to broadly implementing the 4R program to assist farmers in reducing costs associated with fertilizer inputs.

Addressing the Carbon Tax on Farm Related Fuels

First Session, Forty-third Parliament,
68-69 Elizabeth II, 2019-2020

HOUSE OF COMMONS OF CANADA

BILL C-206

An Act to amend the Greenhouse Gas Pollution Pricing Act (qualifying farming fuel)

FIRST READING, FEBRUARY 18, 2020

2018, c. 12, s. 186

Greenhouse Gas Pollution Pricing Act

1 The definition *qualifying farming fuel* in section 3 of the *Greenhouse Gas Pollution Pricing Act* is replaced by the following:

qualifying farming fuel means a type of fuel that is gasoline, light fuel oil, marketable natural gas, propane or a prescribed type of fuel. (*combustible agricole admissible*)

Ontario Federation of Agriculture

Thank you for your time