



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

43rd PARLIAMENT, 2nd SESSION

Standing Committee on Agriculture and Agri-Food

EVIDENCE

NUMBER 026

Tuesday, April 20, 2021

Chair: Mr. Pat Finnigan



Standing Committee on Agriculture and Agri-Food

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• (1535)

[*Translation*]

The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)): Good afternoon, everyone, and welcome.

[*English*]

I'll call this meeting to order.

Welcome to meeting number 26 of the House of Commons Standing Committee on Agriculture and Agri-Food. Pursuant to the order of reference of Wednesday, February 24, and the motion adopted by the committee on March 9, 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, and 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 would like to take this opportunity to remind all participants that screenshots or taking photos of your screen is not permitted.

[*Translation*]

To ensure an orderly meeting, I would like to outline a few rules. Before speaking, please wait until I recognize you by name. If you are on the videoconference, please click on the microphone to unmute yourself. Those in the room, your microphone will be controlled as usual by the proceedings and verification officer.

A reminder that all comments by members and witnesses should be addressed through the chair.

When you aren't speaking, please mute your microphone.

[*English*]

We'll now start with the witness list.

Perhaps I'll start with the Producteurs de grains du Québec, but I don't know if they're here yet.

With us we have the Canadian Federation of Agriculture, with Mr. Keith Currie, vice-president, and Frank Annau, director of environment and science policy. From the Grain Growers of Canada, we have Erin Gowriluk, executive director, and Mr. Jonathan Hodson, director. From the Producteurs de grains du Québec, we have Monsieur Christian Overbeek, president.

[*Translation*]

Let's begin with the Producteurs de grains du Québec.

Mr. Overbeek, you have the floor for five minutes. We are listening.

Mr. Christian Overbeek: Thank you very much, Mr. Chair.

Good afternoon. My name is Christian Overbeek; I am a farmer from Saint-Hyacinthe and the owner and sole shareholder of a family business. My main crops are corn, soy and wheat, which I grow non-commercially to improve the quality of my soils, as well as a few cover crops and intercrops such as ryegrass, clover, fall rye, radish and others.

To give you a brief description of our sector in Quebec, we grow grain on more than 1 million hectares across Quebec. Those crops are maintained by 9,500 families, who produce more than 5 million tonnes. As you can see, this is extremely diversified farming. We grow a broad range of grain crops across Quebec.

As per our normal farming practice, we must first of all ensure that we can cultivate our fields through sowing, crop maintenance, harvesting and tillage operations. In the past few years, we have obviously added farm-based grain drying and conditioning as well as storage. All that requires energy consumption. Consequently, if we want to stay competitive in the grain sector, it is important for us to have access to cheap energy that is not overtaxed by different aspects of various government programs.

Product quality is extremely important for us grain growers because consumers in local, provincial, national and international markets still want top-quality grain. Knowledge acquired in recent years has shown that we must harvest at slightly higher humidity levels than what the market expects, condition our grain on the farm and then market it guaranteeing the high level of quality that has made the reputation of Canadian grain in Canadian and international markets.

Any additional tax will thus increase our production costs and make us less competitive with other farmers around the world.

I understand that Quebec is currently subject to a carbon pricing system that may be different from what's being done in other Canadian provinces. Ultimately, we want to be sure we are operating on a fair and equitable basis with all farmers around the world.

To sum up the situation, the carbon tax of \$23 per tonne for a medium-sized Quebec farm currently has an average financial impact of more than \$2,000 on every farm in Quebec and thus an extremely significant effect on our sector's competitiveness.

We very much want this tax to be fully refunded to us through various Canadian government measures or simply for the government not to tax propane, diesel or natural gas in the first place.

Those are the essential points I wanted to make today given the short period of time we are allotted.

I will be pleased to answer your questions.

• (1540)

The Chair: Thank you, Mr. Overbeek.

[English]

I believe Mr. Hodson is here, so we'll give the Grain Growers of Canada five minutes to make their statement.

Thank you.

Mr. Jonothan Hodson (Director, Grain Growers of Canada): Hello, Mr. Chair and honourable members. Thank you for the opportunity to appear before you today.

My name is Jonothan Hodson. I am a member of the board of directors of the Grain Growers of Canada. On that board, I am a representative of the Manitoba Crop Alliance, a producer group representing wheat, barley, corn, sunflower, flax and winter cereal growers across Manitoba. I am joined today by the Grain Growers of Canada executive director, Erin Gowriluk.

I farm near Lenore in southwestern Manitoba. Our family farm is fifth-generation. We have a diverse crop rotation of corn, spring wheat, barley, canola, soybean, peas and forages as well as a cow-calf operation.

I'm here today to express our support for Bill C-206. This legislation would expand the existing exemption from the price on pollution for qualifying farm fuels to include propane and natural gas. The expansion of this exemption is critical to grain farmers like me, because we often need to dry our grain prior to marketing it.

In yesterday's budget we were pleased to see the government's intention to return a portion of the carbon tax collected back to farmers in backstop jurisdictions beginning in 2021-22. We look forward to additional details. However, we continue to support the passage of Bill C-206, as it remains the most straightforward, cost-efficient way of providing a full exemption for grain drying where no alternative fuel source exists.

Canada is truly blessed with a large agricultural land base right across this country, but many areas have to deal with a short growing season in combination with a changing climate. We are increas-

ingly feeling the impacts of wet harvests and early snowfall. When we experience a lot of moisture and unpredictable weather, we have no choice but to dry our grain to make it suitable for the markets who rely on us, both at home and abroad.

Canadian producers grow and market some of the best-quality grain in the world. In many regions of Canada, one of the tools we use to ensure that quality is the grain dryer. The reality is that putting grain with too high a moisture level in the bin isn't an option for us. It needs to be dried to the correct level or we risk losing part of, if not the entire value of, that product. When compounded by the rising carbon tax, this represents a real blow to the profitability of my farm.

A couple of years ago, we made a significant investment of over \$100,000 to upgrade to a more efficient grain-drying system. There were no programs available. Just like many other farmers, we spent the money ourselves to improve our drying efficiency. If there was a grain dryer that ran off something other than fossil fuels, we would look at upgrading again, but that option just does not exist right now.

Each year our farm spends between \$15,000 and \$25,000 in propane to dry our grain. Of our total expenses, this is not the largest, but as a necessity after harvest, money spent on drying my grain is money out-of-pocket. Each year the carbon tax goes up, that is more money straight off my bottom line. As a farmer, I am a price-taker, not a price-maker. Unlike other businesses, I cannot pass on these extras costs to the consumer. However, the increased costs of production for my inputs and equipment and the rising rates for rail and road transportation do get passed on to me.

This legislation is not a remedy for the increased costs that the carbon tax adds for us. However, it is an important recognition that the spirit behind the carbon tax cannot be achieved in this instance. The desired purpose of the price on pollution is to drive a transition to alternative fuel sources, but in the case of grain drying, there are simply no viable alternatives available.

There are other environmental considerations beyond just taxing unavoidable emissions. Certain crops that are common across all of Canada, such as corn, are generally harvested with high moisture and must be dried. Corn has become a valuable part of my crop rotation, which in and of itself is a critical tool in the environmental sustainability of our operation. Crop rotation provides many benefits, including improved soil health, reduced erosion and disease prevention. If the costs of drying become too high and eat away at potential profits too much, that will be one less crop available for our rotation and a potential loss of those environmental benefits.

We were very encouraged to see support for this legislation from the Bloc Québécois, NDP, Green Party and a number of independent MPs. It is important to recognize that where the carbon tax is ineffective in its aim, changes like those proposed in Bill C-206 should be made. I hope this legislation will receive unanimous support to pass through this committee and be on a path to become law in time for this year's harvest.

Thank you, Mr. Chair. We would be happy to answer any questions the members may have.

• (1545)

The Chair: Thank you, Mr. Hodson.

We will now go to the Canadian Federation of Agriculture, and Mr. Frank Annau and Mr. Keith Currie.

You have five minutes for an opening statement. Hopefully, the sound will be okay. I believe they didn't have time to run the checks. I just want to advise the committee that although we do have that requirement as a motion, they did not have time. Hopefully, things will work out great.

Mr. Annau, you can start your statement.

Mr. Frank Annau (Director, Environment and Science Policy, Canadian Federation of Agriculture): Thank you so much.

I'm just checking.... Can everyone hear me okay? Perfect.

I'll leave my video off to give myself some more bandwidth here to accommodate my audio.

Good afternoon, everyone. Thank you to the chair and the committee for inviting us to appear today.

My name is Frank Annau. I'm the director of environment and science policy. Our vice-president, Keith Currie, should be joining us shortly.

We greatly appreciate this opportunity to provide testimony on Bill C-206, an act to amend the Greenhouse Gas Pollution Pricing Act (qualifying farming fuel). The CFA is Canada's largest general farm organization, and we represent approximately 200,000 farmers and farm families nationwide. We are dedicated to promoting best management practices that reduce on-farm emissions to help Canada meet its goals under the Paris Agreement.

However, the carbon tax has significantly increased farmers' cost of business. As price takers, farmers cannot pass on these costs to customers or to the national market. To that effect, our members greatly support the bill's goal to extend the exemption for qualifying farming fuel to marketable natural gas and propane.

As everyone is aware, Bill C-206 arose largely in response to the 2019 wet harvest, when extreme rainfall put increased burden on grain drying, which is made even more expensive by the carbon tax. The Western Canadian Wheat Growers Association has reported that some farmers paid over \$10,000 in carbon taxes on their grain drying bill that fall alone.

These price hikes led the Green Party and the Conservatives to both comment that carbon tax relief for farmers was justified and necessary and [*Technical Difficulty—Editor*]. During the bill's pandemic hiatus, the government released a report estimating that the carbon tax had only increased grain drying costs by an average of \$210 to \$774 in 2019. The CFA did not endorse this downplaying of impacts, as the low range estimates were provided by the Government of Alberta, a province that was not under pollution pricing for the 2019 harvest and had no real-world data to contribute to the report. As such, this report does not rebut the need for exemptions under Bill C-206.

The Liberals have since raised a very valid concern that the bill might not provide the intended relief for grain dryers, as dryers are not considered eligible farming machinery under the Greenhouse Gas Pollution Pricing Act. To ensure that the bill provides the intended relief for farmers, the CFA is recommending that it cover exemptions not only for grain drying but also for machinery used for livestock heating and cooling, and for irrigation as well. The rationale is that these tools are critical for mitigating the increasing on-farm impacts of climate change.

Canada's changing climate report shows that annual precipitation has increased in all regions since 1948, especially during the fall and winter seasons, the very months that harvesting and grain drying take place. With each passing year, this trend results in a higher risk of conditions similar to or even worse than what we saw in 2019. The same report further states that temperature extremes have also increased since 1948, which will raise the severity of heat waves and droughts and will bring a higher risk of crop damage and livestock heat death. While extreme heat has yet to have its carbon tax watershed moments, it is only a matter of time.

When that time comes, farmers should not be penalized for relying on tools needed to mitigate these impacts. We, instead, believe that the money paid in carbon surcharges would be better spent on participating in programs that increase fuel efficiency, such as those announced in yesterday's budget. While the CFA is currently analyzing the budget, these programs do appear to offer avenues to obtain these efficiencies. However, it must be noted that these avenues are often administered as cost shares, with farms required to contribute up to 50% of expenses.

As such, it is in the best interest of government to ensure that farmers have the cash needed to invest in and deliver these programs. While the carbon tax's driving up grain-drying bills to \$10,000 does add incentive to reduce emissions, it also reduces the amount of cash that farmers have to buy into these cost shares. That is the reason why the exemption is still required. As it stands now, carbon surcharges have the very unintended effect of taxing the very mitigation measures needed to respond to droughts and extreme rainfall.

As an incentive to drive down emissions, the tax is an added and unnecessary burden. Even with exemptions for natural gas and propane, the price of those fuels is still scheduled to increase under the clean fuel standard in 2023. This, combined with cost savings from fuel-efficiency programs, is more than enough incentive to reduce emissions.

In closing, the CFA shares the government's vision of a future with zero-emission energy sources that are scalable and adopted by the agri-food sector. Until then, the upward trend of climate impacts will place continued strain on even our most innovative fuel-efficiency gains. That is why the exemption for natural gas and propane must be applied to grain drying, irrigation, and livestock heating and cooling.

Thank you, again, for this opportunity to engage. We welcome any questions that you may have.

• (1550)

The Chair: Thank you very much, Mr. Annau.

Now we'll go to our round of questions, starting with a six-minute round for Mr. Philip Lawrence.

Mr. Philip Lawrence (Northumberland—Peterborough South, CPC): Thank you, Mr. Chair.

It is a pleasure to be back out in front of the agriculture committee.

Also, thank you to the witnesses.

I just have a brief comment here, if you'll indulge me.

I think one of the untold stories of the pandemic is the sacrifices our farmers have made. They've been working through all the challenges with the lockdowns to make sure that we haven't had disruption in our food supply. They work every day, tirelessly, even before the pandemic and then with the additional obstacles.

A big thank you, I'm sure, on behalf of everyone here—and all Canadians—for everything that you and your members have done for Canada in keeping us well-fed during these difficult times.

Let's go on to our questions. First of all, I just want to go round the table with all of the witnesses to hear what the impact of the carbon tax is on their members. Could they comment on whether the credit provided by the government is substantial, or whether in fact the majority, if not all, of their members are actually in a loss position because of the carbon tax?

I'll start with the Grain Growers of Canada, if that's okay, Mr. Chair.

Mr. Jonothan Hodson: I'll ask this back: Which credit do you mean?

Mr. Philip Lawrence: Well, according to the government, the carbon tax is revenue neutral, in that Canadians receive back more in credits than the amount they're paying. Is that true for your members?

Mr. Jonothan Hodson: I would disagree with that. There are a lot of negative consequences.

I know that as producers we're grateful that the exemption on farm fuels is where it's at right now. Most of it is covered, but there are a lot of negative consequences, because obviously all the people who provide us with inputs and everything are not covered, so their costs go up, and those costs are passed on to us. There are consequences for us on the carbon tax and, obviously, as it goes forward, with the forecast for how much it's going to increase, their costs are going to go up every year.

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

Now, for the CFA, are your members fully compensated by the credit provided in the greenhouse gas pollution act for the carbon tax?

Mr. Frank Annau: That wouldn't be, I believe, the opinion of our stakeholders and members. Obviously, the statement that the carbon tax is revenue neutral for the majority of Canadians, I believe, could potentially apply on a citizen-to-citizen basis, but obviously our farmers do rely on a number of inputs and processes that are not exempt from carbon fuel charges.

We saw recently within the last year that the greenhouse gas exemption was further applied for greenhouses, for example. What we'd be looking for is for a similar actual application to be applied to grain dryers and other machinery, including for irrigation and livestock heating, to ensure there's a full exemption. Without that, we have received reports that there are mounting impacts in terms of the costs affecting our our farmers' bottom lines.

• (1555)

Mr. Philip Lawrence: Mr. Annau, would you say that a grain dryer is a piece of industrial machinery?

Mr. Frank Annau: That's a very good question. That's where the actual basis of the issue, I believe, kind of stands. Our understanding is that the government was interpreting it as being machinery used to heat and cool a building. In our engagement with them—I believe it was with the Grain Growers of Canada—the government believed it was actually an industrial process and that it basically shouldn't be subject to exclusion for eligible farming machinery. I think they've been provided with a lot of very updated information since then. This is an ongoing conversation between us and the Canada Revenue Agency.

Mr. Philip Lawrence: To the Grain Growers, would you say that a grain dryer is a piece of industrial machinery?

Mr. Jonothan Hodson: No. It's farm equipment.

Mr. Philip Lawrence: It's farm equipment, and at least some of the grain drying would be done on a farm, correct?

Mr. Jonothan Hodson: That's correct.

Mr. Philip Lawrence: All right. You are of the same belief as me and the parliamentary drafters, namely, that grain drying is included in Bill C-206.

Mr. Jonothan Hodson: That's correct.

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

Mr. Overbeek, when you have additional costs added to your grain or to farming in general, does that make you less competitive in the market?

[*Translation*]

Mr. Christian Overbeek: It definitely makes us less competitive, for the same reason as the others have cited. The grain market is based on international reference points, and, if I have to pay additional costs that other farmers in other countries don't, I'm automatically less competitive, and that can jeopardize my operation.

[*English*]

Mr. Philip Lawrence: Perfect.

If I have time, Mr. Chair, I'd just like to—

The Chair: You have 40 seconds.

Mr. Philip Lawrence: Okay.

To the grain dryers, if in fact you're given the choice between an exemption for propane and natural gas or a credit, what would your members prefer?

[*Translation*]

Mr. Christian Overbeek: If that question is aimed at me, I'd say I prefer an exemption rather than a credit; it's easier for accounting purposes.

[*English*]

Mr. Philip Lawrence: Perfect.

Any of the other witnesses...?

Do I have five seconds left, Mr. Chair?

The Chair: It's pretty much gone.

Mr. Philip Lawrence: Thanks, Mr. Chair.

The Chair: Thanks, Mr. Lawrence.

Now we'll go to Monsieur Drouin for six minutes.

[*Translation*]

We are listening, Mr. Drouin.

Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.): Thank you very much, Mr. Chair.

I want to thank my colleagues because I know these speakers very well.

I'll begin with Mr. Overbeek.

You're a Quebec farmer. You know that Bill C-206 wouldn't apply to your region. Do you understand that?

Mr. Christian Overbeek: We understand, but events may occur in the coming months or years that cause Quebec to be included in Canadian fiscal policy. As you know, the political world is full of surprises.

Mr. Francis Drouin: Yes, but Quebec protects its powers. I can't imagine a scenario in which it would be included in that way.

Have you had a chance to speak with your counterparts in the United States, since their country is now a signatory to the Paris accord? Do you know what will happen to the farming community, especially in the northern United States, given that the climate there is quite similar to ours?

Mr. Christian Overbeek: I haven't had a chance to speak with my American or European colleagues yet. I'm sorry.

Mr. Francis Drouin: Thank you.

[*English*]

Mr. Annau, I heard part of your testimony. One issue you mentioned was that you would be seeking an amendment to propose an exemption for the heating and cooling of buildings. Is that correct?

Mr. Frank Annau: Was that directed towards the Canadian Federation of Agriculture?

Mr. Francis Drouin: Yes.

Mr. Frank Annau: All right, I apologize.

That's correct. Yes, we would be seeking exemptions specifically for machinery used for the heating and cooling of buildings, used to help control temperatures for livestock during extreme weather.

Mr. Francis Drouin: Okay, and just to manage expectations, that's a discussion our committee's going to have, but we're not sure if we can do that, because Bill C-206 seeks to amend the eligible fuels and not necessarily create that exemption in another part of the law. That's a discussion we will have to have because that an amendment could be deemed inadmissible. Your point is taken, but I would like to manage expectations and tell you right away that this could be the case. It's not a partisan issue; it's simply a matter of procedure in the House, just so you know.

● (1600)

Mr. Frank Annau: It's much appreciated.

Mr. Francis Drouin: My question for Mr. Overbeek is about how the U.S. has now signed, again, onto the Paris accord. Has the Canadian Federation of Agriculture started to speak with its U.S. counterparts with regard to what types of exemptions and programs are available for farmers, especially in the States up north where they have a similar climate to Canada, with regard to what that climate policy will look like?

Mr. Frank Annau: We have not started those conversations yet, but they're ones that we're obviously very eager to have. We're obviously looking, for example, at the potential impacts of carbon credit trading between California as well as Canada. Upcoming we'll be looking at the independent dialogue at the United Nations sustainable foods summit. We'll be looking to engage our U.S. counterparts at that point.

Mr. Francis Drouin: Yes, and I hope you do. Both of our economies are really well integrated, and if we could integrate our carbon policies, I think it would be an advantage for our farmers. It's would be advantage for our economy, and much simpler to understand.

Mr. Frank Annau: Absolutely.

Mr. Francis Drouin: I know you guys will be providing a brief to us at some point in due course. Thanks for your testimony.

I'll move to Mr. Hodson. I understand the testimony that you gave. Obviously, the point of the carbon tax—and I support Mr. Lawrence's bill; it's a commitment I made to my farmers—and what we are trying to do is not to penalize farmers but to change the suppliers and essentially get rid of those carbon-intensive technologies.

I've heard you say there is no technology for grain drying. Has the Grain Growers started to look at potential other technologies, or to partner with universities, to see whether or not and how we can reduce that carbon footprint to zero so you don't have to pay the tax at all?

Mr. Jonathan Hodson: I'd maybe pass that on to Erin Gowriluk.

I can make a comment that, as producers, we're always listening and hearing. If there's something out there, we would hear about it. If there were a possibility to replace what we're doing, it would be something we would know about by now. At this point there is nothing tangible out there.

As far as collaborating down the road is concerned, that's something that I'm sure organizations will start to do. As we see this window closing and we have to do something, I'm sure that's what organizations will start to work towards.

Ms. Erin Gowriluk (Executive Director, Grain Growers of Canada): Just to add to Mr. Hodson's comments, I think that if there were a form of energy available as an alternative to natural gas or propane, farmers would be all over it. There's a significant cost, as Mr. Hodson indicated, associated with purchasing the natural gas and propane for drying grain. If we had a solar-powered grain dryer, I think you would see a lot of farmers adopting that technology in fairly short order, but that is not the case right now.

Mr. Francis Drouin: Yes.

Am I out of time?

The Chair: Yes, that's pretty much it, Francis. Thanks.

Thanks, Ms. Gowriluk.

[*Translation*]

Go ahead for six minutes, Mr. Perron.

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

Thanks to our witnesses for coming to speak with us about their situation. We're grateful for that.

I'll go first to Mr. Overbeek, whom I thank for accepting our invitation. You say that you haven't been granted an exemption in Quebec. We're all aware of that. We've even had discussions about this bill. We're trying to look at this objectively. You even touched on the subject of jurisdictions with Mr. Drouin.

Why are you nevertheless in favour of this bill?

Do you think Quebec may align itself with the rest of Canada? That's what you said earlier.

Mr. Christian Overbeek: Our hope is that the bill will apply to all of Canada, with the exception of areas where another system is in place, as in Quebec. If it ever applies across Canada as desired, we hope that farmers in Quebec are subject to the same principle of non-taxation or tax-rebating as our colleagues in the other Canadian provinces and territories.

• (1605)

Mr. Yves Perron: If I'm hearing you correctly, you're willing to be temporarily put at a disadvantage relative to other Canadian producers in the hope that some uniform regime is one day established. Is that correct?

Mr. Christian Overbeek: Yes, but we have to ensure that the temporary period doesn't turn into years and that it takes immediate effect across Quebec.

Mr. Yves Perron: That's the part we don't control at all. We've already discussed this together, and I understand you're nevertheless in favour of Bill C-206, based on that principle and provided it comes into force.

Some say there aren't any other options. What about biomethanization, biomass and geothermal facilities, for example? Have those kinds of options been explored? I know the costs are currently prohibitive.

Mr. Christian Overbeek: Tests have been done and research conducted. Some agricultural businesses have installed biomass heating systems, but those businesses need heat all year long, not just over short periods, as in the grain sector. In our sector, the fall grain drying and conditioning period is extremely short. So there's no way we can get a good return on a massive investment in biomass-based equipment.

The situation's somewhat the same if you use electric energy as a heat source. The technologies we know and are using right now are obviously natural gas and propane, mainly use for different commercial reasons.

Mr. Yves Perron: I see.

Have you imagined how the government might support you rather than tax you, reduce your profit margins or increase food prices? For example, you say it's hard to get a good return on investments in biomethanization.

Is it realistic to think the government might help you with that, or is the investment prohibitive?

Mr. Christian Overbeek: The investments are currently too big to be cost-effective for us. As you can understand, research is always a welcome way to come up with new technologies that help us reduce our fossil fuel consumption. I think that's a solution that could be implemented for grain farmers in the short or medium term.

Mr. Yves Perron: If the tax remains in force, what negative impact will it have on your farms in the medium term, Mr. Overbeek?

Mr. Christian Overbeek: We gave you some figures earlier. It's more than \$2,000 for one Quebec model farm. That's based on the current carbon tax rate. We're somewhat familiar with the agreed upon rate at which the carbon tax will rise in future. It will increase our costs by a factor of seven or eight. That impact will amount to tens of thousands of dollars or more, solely as a result of the carbon tax. That will have a direct impact on the stability of our farms and, obviously, on their transferability to future generations.

Mr. Yves Perron: Could that money conceivably be reinvested in the transition? Wouldn't that be equivalent?

What do you think of the possibility of the government returning that money directly to you once you begin the transition process?

Mr. Christian Overbeek: The government could assist us in the investments we make to reduce our fossil energy use. That might be a solution.

However, you have to consider the operating expenses of those new facilities. If those costs are greater than the costs associated with the use of fossil fuels, then we'll still be losing out, even with financial assistance. You also have to take into consideration the impact of annual operating costs on the competitiveness of our businesses.

The Chair: You have three seconds left, Mr. Perron.

Mr. Yves Perron: All right.

Thank you, Mr. Overbeek.

• (1610)

The Chair: Thank you, Mr. Perron.

[English]

We will now go to Mr. MacGregor for six minutes, please.

Go ahead, Mr. MacGregor.

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

Thank you to our witnesses for helping to guide this committee on this journey with Bill C-206.

It appears to me from reading budget 2021 that the government actually paid Mr. Lawrence a big compliment by devoting a good section to the costs of grain drying, with \$100 million in refunds in that first year, and also by devoting \$50 million specifically for more efficient grain dryers.

My first question is for the Grain Growers of Canada. I really want to dig down into what alternatives to propane and natural gas are available.

I've been looking on the Internet and there is a company called Triple Green Products that has a BioDryAir dryer, which uses crop residue as a fuel to help dry their grain. They're exempt from the carbon tax because they're using residue that comes from their own farm. Is this a viable technology? Is this the kind of place we want to start investing that \$50 million in trying to find that efficiency? If we leave the carbon tax aside, farmers are still paying a lot of money just for the propane and natural gas itself. I just want to find out from you where this technology will go in five to 10 years from now.

Mr. Jonothan Hodson: I've heard about the biomass. As a producer, the concept has been talked about for a long time. At this point, to get it on a farm-type scale that's economical...it just hasn't been shown to be there. Technology is going to change. I can't predict whether this is something that's going to be economically viable on a farm scale five or 10 years down the road. I don't know where that's at at this point.

Mr. Alistair MacGregor: Okay.

With the \$100 million announced in budget 2021, are you still firmly committed to having Bill C-206 passed by this Parliament?

Mr. Jonothan Hodson: Yes, I am.

Mr. Alistair MacGregor: The Supreme Court of Canada recently upheld the constitutionality of the federal carbon tax. I believe that has provided some impetus to provincial governments to start formulating their own carbon pricing schemes. Is that going to make your job harder? Have you already had conversations with provincial governments on trying to use what Bill C-206 is trying to achieve federally to apply to possible future provincial models in some of the prairie provinces?

Mr. Jonothan Hodson: I admit I have not. I will pass that on to Erin to see if she has any knowledge of that. I run my farm and there's enough going on there.

Mr. Alistair MacGregor: Okay.

Erin, please go ahead.

Ms. Erin Gowriluk: Thanks for the question, Mr. MacGregor.

With respect to any carbon tax, and in this discussion in particular, it's really about whether the bill is meeting its intended objective, which is to ultimately incentivize practice change. With this tax, we want to encourage, for example, farmers to use alternatives to fossil fuels to dry their grain. With no viable alternative at this point, I think your suggestion is a very good one.

What investments can we make to ensure there is an alternative in the future? I think it would be something that farmers would widely adopt if it were commercially available as an affordable alternative. Let's make those investments in the future. Let's use this bill, and an exemption to bridge that gap until such time as we have those alternatives, to ensure that while there isn't an alternative, farmers are not being punished for doing something they have no choice but to do.

Mr. Alistair MacGregor: Great. Thank you for that.

For my final question, I'll maybe turn to the Canadian Federation of Agriculture, Mr. Annau.

Getting beyond the debate that exists over the carbon tax, what other ways can we try to improvise and maybe develop smart policy? We could reward farmers for climate friendly initiatives, place them on the pedestal for the good practices they're already doing, devise some system where they actually get financial credit for those practices and rewarded for climate friendly initiatives, such as their efforts in sequestering carbon in the soil?

• (1615)

Mr. Frank Annau: Yes. Even specific to switching from natural gas and propane in the context of grain drying.

There is potential, for example, with existing mechanisms. I alluded to the clean fuel standard that will be applying regulations scheduled for natural gas and propane in 2023. There is the potential that this will increase the price of these fuels.

Under the actual clean fuel standard, as you probably know, there's a credit category that will provide credits to end-point users, such as farmers, for switching away from fuels such as natural gas and propane to potentially more emissions friendly fuel sources that are less carbon intensive.

That's one example of a potential mechanism that could serve very well.

I think our only real concern is that in the interim, as these processes are getting under way, farmers may still be subject to extreme weather that could drive up the costs of grain drying as that transition is occurring.

As I said, even without the actual carbon tax, it could be that the clean fuel standard in and of itself provides that incentive for the switch, along with the actual programming available that provides support.

I'll also refer further questions to Keith Currie, who is our vice-president of the CFA.

The Chair: That's all the time we have for this round.

If I may make a comment. As a greenhouse grower, I bought a boiler from southern Ontario about 15 years ago that burns round

bale to heat whatever you want to heat. I heat my greenhouse. Therefore, it does exist. Whether's it efficient, I'm not sure. I bought it from southern Ontario about 15 years ago. It's still in the works. If anyone wants to have a look, it's there.

I just thought I'd throw that in there.

[*Translation*]

Go ahead for five minutes, Mr. Lehoux.

Mr. Richard Lehoux (Beauce, CPC): Thank you, Mr. Chair.

I'm going to share my speaking time with my colleague Mr. Epp.

My first question is for Mr. Overbeek.

The average cost to Quebec grain growers is currently \$2,000. I understand that this is unfair because you're already bearing costs that your colleagues in the other provinces don't.

If the bill were passed in Canada and everything was in place in the other provinces, do you think the Quebec government would be prepared to take a step toward supporting its producers?

Mr. Christian Overbeek: We've already begun discussions with Quebec government representatives to ensure fairness between Quebec growers and other Canadian producers.

So far, we're the only ones paying a tax. If Bill C-206 passes, we'll be looking at another tax, but one that, in a way, will be rebated to us. We'll be resuming our talks with Quebec authorities to secure fairness between Quebec growers and other Canadian producers.

Mr. Richard Lehoux: You say there aren't any other possibilities or options. However, let's consider electricity, which is more abundant and cheaper in Quebec than elsewhere. Have you suggested to Quebec's department of agriculture, fisheries and food that it help you transform your grain dryers into electric dryers and that it establish special pricing for electricity used to dry grain?

I want to come up with a solution. If we introduce national legislation in Canada, I'd like things to be fair for Quebec producers.

Mr. Christian Overbeek: Those kinds of initiatives have already been introduced. You can use grain drying and conditioning equipment that runs on electricity in Quebec, but we've realized it requires major investment. You have to adapt electrical equipment so it can generate enough heat in a short period of time.

We also considered using forest and agricultural biomass. We ruled out the idea of using agricultural residues because we want to leave them in the fields to improve soil health and organic matter content.

Mr. Richard Lehoux: That's a wise decision, Mr. Overbeek.

I yield the floor to my colleague Mr. Epp.

[*English*]

Mr. Dave Epp (Chatham-Kent—Leamington, CPC): Thank you, and thanks to all of the witnesses for your excellent testimony.

I'd like to begin by taking this back and trying to place this whole issue into some sort of context from an economic perspective.

A number of you indicated that as grain producers, you are price takers and that we generally operate in an integrated market. When this issue first came out, the federal estimates were between \$210 and \$819 per farm. We later learned that was based on the denominator's being all census farms, as opposed to commercial farms, and then we heard estimates more in the \$10,000 to \$14,000 range coming from the Federation of Independent Business.

I'm going to begin directing my comments to the Grain Growers. Can you talk about the discrepancy between these estimates? In the absence of the passage of this bill, would you expect the Canadian basis, which is a function of pricing in our integrated market, to compensate producers for this additional cost as they incur the carbon tax?

I'll start with the grain producers, please.

• (1620)

Mr. Jonothan Hodson: Sorry, I just want to clarify that. Did you say compensate the producers for the basis change?

Mr. Dave Epp: Yes. Would the market compensate producers for this additional cost?

Mr. Jonothan Hodson: No, it would work against us, for sure. Obviously, with the negative consequences I had mentioned earlier, the other part of the supply chain not being exempt for all the fuels, eventually our basis is going to widen because of the extra costs for all of the input suppliers, and those costs are only going to go up as the forecast of the carbon tax increases over the next few years. Every year, it seems to me that our competitive equation with our nearest competitor, the U.S., is going to work to a negative. It's going to hurt us.

Mr. Dave Epp: Thank you.

It was also mentioned by one of my colleagues in the questioning that it would be good from a carbon pricing perspective if we moved forward on an integrated basis—

The Chair: Mr. Epp, sorry, we're out of time. Perhaps you'll have a second chance.

Now we'll go to Madame Bessette.

[*Translation*]

Go ahead for five minutes, Mrs. Bessette.

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

Thanks to the witnesses for being with us today.

My first question is for Mr. Hodson.

Can you tell us a little more about current sales in the Canadian grain market? What do you think is the long-term trend for the sector?

[*English*]

Mr. Jonothan Hodson: I apologize. I didn't understand the question. I would have to pass that on to Erin.

Ms. Erin Gowriluk: Sure, I can speak to that.

I think with respect to grain prices, certainly they fluctuate. It really depends on the commodity and the market in which you're selling. Certainly some of our growers have faced some significant market access issues, depending on markets around the world—China, India and Italy, for example.

In terms of the future of the sector, like I said, we are securing more free trade agreements around the world, but again, increasingly now we're facing market access challenges in key jurisdictions around the world unlike ever before.

[*Translation*]

Mrs. Lyne Bessette: Thank you.

You just mentioned fluctuating grain prices. Do producers have strategies for taking advantage of that?

[*English*]

Ms. Erin Gowriluk: I would probably like to see if my director, Mr. Hodson, was able to get the interpretation of that question so he could respond, if I may.

Mr. Jonothan Hodson: I obviously don't have the setting right. I'm not getting the interpretation. My apologies. My French is very limited.

Mrs. Lyne Bessette: It's okay.

Do producers have strategies to take advantage of the fluctuation of the grain price, because she talked about fluctuation? That would be my question.

Mr. Jonothan Hodson: Do we have a strategy? Obviously, most producers over time, yes, try to develop a strategy to the best of their abilities. It's something that is a learned process, and producers work on it every year.

Mrs. Lyne Bessette: Thank you.

My questions are in French. Are you getting translation, or not at all?

Mr. Jonothan Hodson: No, I'm not.

Mrs. Lyne Bessette: Okay. I'll try to translate my questions on my own.

Mr. Jonothan Hodson: Okay.

Mrs. Lyne Bessette: Can you explain why there are only some forms of energy that you can use, and is it just because there's a lack of innovation right now?

The Chair: Mr. Hodson, at the bottom where it says "interpretation", you just have to select the proper one. I don't know if you have that on your computer.

• (1625)

Mr. Jonathan Hodson: I select “English”, then, and it will interpret for me?

The Chair: Yes.

Mr. Jonathan Hodson: Okay. I just did that. My apologies.

Mrs. Lyne Bessette: Okay.

Should I try again in French or did you get the question?

Mr. Jonathan Hodson: Sure. If you would like to, go ahead.

[Translation]

Mrs. Lyne Bessette: You mentioned that there's no other option but natural gas and propane for drying grain. Can you explain why those are the only forms of energy that can be used, and, if that's the case, is it due to a temporary lack of innovation?

[English]

Mr. Jonathan Hodson: My only option is propane at this point. I don't have a natural gas option. It's very limited where that option exists on farms. My only option is propane, which can be delivered to my operation.

It comes down strictly to economics. Mr. Chair mentioned his boiler. There are a lot of ideas on a small scale, but to get large enough to be economical on a modern grain farm, the cost of any technology is still prohibitive. The options are just cost prohibitive.

[Translation]

Mrs. Lyne Bessette: Thank you.

My question is for Mr. Annau.

You said you'd also like to see the exemption expanded to include activities such as heating, livestock pens and irrigation. As my colleague Mr. Drouin said, that change may be beyond the scope of Bill C-206, but I nevertheless wanted to ask you whether greener options exist for heating and irrigation.

[English]

Mr. Frank Annau: Much as was actually just addressed by Mr. Hodson, there are currently a number of innovations under way to basically reduce emissions from the fuel we use, particularly for applications like irrigation.

At this point, in terms of making the innovations scalable and economical for application on farms, we aren't quite there yet. Obviously, this makes us appreciate injections of innovation funding [Technical difficulty—Editor] into these certain fields. At this point, the barrier to having these adopted on a wider scale is economics right off the bat.

[Translation]

The Chair: Thank you, Mrs. Bessette and Mr. Annau.

Now it's Mr. Perron's term.

Go ahead for the next two minutes.

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

Mr. Overbeek, I'd like you to continue with what you were telling Mr. Lehoux about biomass before you ran out of time. You ruled out agricultural residues in order to preserve your soils, which

was definitely a good decision, but you mentioned forest biomass. Have you had a chance to explore that avenue?

Mr. Christian Overbeek: We're a group of farmers, and, as an organization, we considered the possibility of using forest biomass. You have to understand that any additional demand for forest biomass may result in a shortage. In addition, the main challenge in using that technology to dry grain is the very short period of time in the fall when that equipment is used to dry and condition our grain, which makes it non-cost-effective compared to a heating system that can operate 8 to 12 months a year for other types of crops and uses.

Mr. Yves Perron: We keep coming back to the same problem: the period of use, which undermines cost-effectiveness.

Mr. Hodson, in your presentation, you referred to crop rotation, which you do in order to preserve your soils and protect the environment, which would be jeopardized if you couldn't dry your grain any more. Please tell us more about that.

[English]

Mr. Jonathan Hodson: The way I was looking at it, it's like a negative consequence. One of the things we're cognizant of in agriculture in Canada is crop rotation and its benefits for our soil health, disease prevention and so on. On a personal level, on our farm, I am concerned that down the road, if this cost escalates in the way that it is being forecast and things are left as they are, I may lose the option of having one more crop in my rotation. I find that troubling.

• (1630)

[Translation]

The Chair: You have 10 seconds left.

Mr. Yves Perron: Okay.

If Bill C-206 doesn't pass, how will that prevent you from rotating your crops? You'll stop growing certain crops because they won't be cost-effective and will be used solely for rotation purposes. Is that correct?

The Chair: Please be brief.

Mr. Yves Perron: Yes. There are only three seconds left.

We were slowed down because of an interpretation problem.

The Chair: Yes. I'll give you a little more time.

You have the floor.

Mr. Yves Perron: You're very kind.

[English]

Mr. Jonathan Hodson: I will never stop trying to do crop rotation. It's just a matter of having to fill one to fill the void. I've done that for the crops I have now. Farmers will never stop innovating, but I would hope that we're allowed to do that and not be forced into having to make changes. That's what part of this is about.

The Chair: Thank you, Mr. Hodson.

[Translation]

Thank you, Mr. Perron.

[English]

Go ahead, Mr. MacGregor, for two and a half minutes.

Mr. Alistair MacGregor: Thank you, Chair.

I'll go back to a comparison between Bill C-206 and what was announced in the budget yesterday. The Department of Finance is estimating \$100 million in the first year, and then it goes on to say that returns in future years will be based on proceeds from the price of pollution. It says that the intention is to return a portion of the proceeds. I know policy like this doesn't just occur in a vacuum.

In the lead-up to the budget, did the government, specifically the Department of Finance, ever have any consultations with you?

This is to all of the witnesses. I'll start with the Grain Growers. Did it ever have any consultation with you on developing this policy?

Did it give you any idea as to what the portion of the proceeds would be?

Mr. Jonothan Hodson: I will pass this question on to Erin Gowriluk here.

Ms. Erin Gowriluk: No, we don't have any indication, at this point right now, about what to expect, Mr. MacGregor, for the portion of the rebate.

Of course, naturally we have some concerns about some additional administrative costs that may be associated with the rebate. That's why, even despite last night's announcement in budget 2021, we still remain in favour of a full exemption. Details on that rebate are still, I understand, forthcoming.

No, we had not been in talks with government on that.

Mr. Alistair MacGregor: It seems to me that, if we're looking for streamlined policy that's the easiest to understand, just make this definitional change to what a qualifying farm fuel is in the first place and stop the tax from being collected at the first step, rather than going through a complicated process that's reliant on what the Department of Finance feels is appropriate. It just seems to me that doing this would be the better of both worlds.

There's not a lot of time in these two and a half minutes, Mr. Chair, so I'll end it there and thank our first round witnesses for appearing today.

Thank you.

The Chair: Thank you, Mr. MacGregor.

That will end our first round.

I really want to thank the Canadian Federation of Agriculture, Mr. Keith Currie—although you came in late, and probably nobody noticed that, but that's good and thanks for being here—and Mr. Frank Annau, director of environment and science policy.

To the Grain Growers of Canada, and Erin Gowriluk, executive director, and Jonothan Hodson, director, thank you for being here.

[Translation]

I'd like to thank Christian Overbeek, the President of the Producteurs de grains du Québec, for being here, and for his comments.

[English]

With that, we shall suspend for a few minutes so we can change the panel. We'll be right back as soon as we can. Thank you.

• (1630) _____ (Pause) _____

• (1635)

The Chair: I would like to welcome our second panel. From the Canadian Cattlemen's Association, we have Mr. Bob Lowe, president, and Fawn Jackson, the director of policy and international relations.

[Translation]

I'd like to welcome the Équiterre representatives, Mr. Marc-André Viau, Director, Government Relations, and Mr. Émile Boisseau-Bouvier, Analyst, Climate Policy and Ecological Transition.

I'd also like to welcome Ms. Karen Ross, the Director of Farmers for Climate Solutions.

We'll begin with the testimony.

• (1640)

[English]

The Chair: We will begin with Canadian Cattlemen's Association.

You have five minutes for your opening statement. Please go ahead.

Mr. Bob Lowe (President, Canadian Cattlemen's Association): Good afternoon, and thank you for the opportunity to appear before the committee on Bill C-206.

My name is Bob Lowe, and I'm the president of the Canadian Cattlemen's Association and a rancher from Alberta. With me is Fawn Jackson, director of policy and international relations with the Canadian Cattlemen's Association.

The beef industry contributes \$17 billion to Canadian GDP while generating over 225,000 jobs. It is the largest Canadian conserver of the great northern plains, in which I would note is a very large store of carbon. In regard to climate pricing policies, we recommend Canada's farmers and ranchers be exempt from direct carbon taxes, but we want to make sure our policy position, shared by leading economists, isn't confused with our very real commitment to being a partner in tackling climate change.

Canada's beef industry has recently set very significant and ambitious environmental goals, such as reducing the sector's greenhouse gas footprint by 33% by 2030.

As agriculture is a trade-dependent and complex industry, it can be very difficult to correct for competitiveness and trade impacts due to carbon pricing. It is extremely unlikely that farmers and ranchers will be able to pass along the carbon tax, as we are price takers and as there are no real alternatives for farmers. Increasing the price of propane and natural gas will not decrease the use of these energy sources.

For these reasons, we have seen agriculture commonly exempted from the direct costs of carbon pricing schemes, as recommended by policy experts. It's not the right tool for the job. We do recognize that the initial act exempted most direct taxes on farmers and ranchers, and we appreciate those exemptions, but as identified by this private member's bill, it is important to cover all direct taxes, and we have examples why.

Example one is a farm that uses natural gas to heat a calving shed and a small shed for holding a couple of tractors and their work bench. On another farm, they have a steam flaker that uses propane to flake corn to improve the digestibility of the feed. The first farm will have a \$6,500 annual carbon tax, while the second will have a \$63,000 annual carbon tax once the carbon tax reaches the expected \$170 per tonne.

These are taxes on family farms that currently operate on very small margins in an international marketplace. I point to the study that found the average long-term margins for a 200-head cow-calf operation provides an annual income of about \$20,000 and that 74% to 85% of the cow-calf sector relies on off-farm income. Furthermore, a study completed by Dr. Schaefele at Western University looked at the impact on the beef sector when farm fuel is exempt and when it is not exempt. The study found that even when exempt from the fuel tax at \$40 per tonne, the carbon tax has a negative \$25 per animal impact at the feedlot level and a negative \$11 per animal impact at the cow-calf level.

The probability of unintentionally pushing food production to other jurisdictions is very real, and with Canada having one of the lowest greenhouse gas footprints per kilo of production at 50% of the global average and being the key conserver of the grassland ecosystem, this pushing of production to other jurisdictions would have serious economic and environmental implications.

CCA strongly supports Bill C-206, however we need to ensure the act covers all areas where a direct carbon tax could impact farmers and ranchers, including heating of buildings, irrigation and machinery such as grain dryers and steam flakers. We recognize that the budget acknowledges a rebate, but to avoid additional red tape, the exemption should be straightforward and not a layer added to the already complex accounting required to operate Canadian farms and ranches.

The Government of Canada is also working on carbon pricing protocols, and we are keen to see these move forward, as it provides opportunity for agriculture to further contribute to fighting climate change. One of the biggest challenges we have in the beef sector regarding climate change is the loss of grasslands and subsequently the carbon stored in them. We must make sure that either through the offset protocols or other policy tools, the very real possibility of further grassland loss is taken into consideration and the

conservation of these grasslands within the agriculture ecosystem is appropriately recognized.

Thank you, and we look forward to your questions.

• (1645)

The Chair: Thank you very much, Mr. Lowe.

[*Translation*]

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

Mr. Marc-André Viau (Director, Government Relations, Équiterre): Good afternoon, Mr. Chair and distinguished members of the Standing Committee on Agriculture and Agri-Food. My name is Marc-André Viau and I'm Équiterre's Director of Government Relations.

I'm going to share my speaking time with my colleague Émile Boisseau-Bouvier, the Climate Policy and Ecological Transition Analyst at Équiterre.

Thank you for giving us this opportunity to comment on Bill C-206.

Before addressing the subject itself, I'd like to say a few words about our organization. Équiterre is a non-governmental environmental organization that founded the Family Farmers Network in Quebec. We are currently working on a technological showcase project on health and soil conservation and on regenerative practices. We have also just published a report on soil health in collaboration with the Greenbelt Foundation. We have been working with producers, institutional buyers and decision-makers to come up with ways to build more resilient and sustainable forms of agriculture.

I'd like to say a word about our climate expertise because it's related to today's topic. We recently defended federal jurisdiction over a carbon pricing system before the Supreme Court with our colleagues from the Centre québécois du droit de l'environnement. We're pleased to see that all parties represented in the House support the carbon pricing principle.

As for Bill C-206, things have changed a lot since yesterday and, to be sure, since the bill was initially tabled. First of all, the government announced yesterday in its budget presentation that a portion of the revenues from pollution pricing would go directly to farmers in Alberta, Saskatchewan, Manitoba and Ontario beginning in 2021. These are the provinces that do not have a carbon pricing system and that have a federal safety net. An estimated that \$100 million will be sent to these provinces in the first year and the amount would increase as carbon pricing rises.

Most important is the fact that the government has also announced that its priority will be to pay a minimum of \$50 million to farmers across Canada to help finance more energy-efficient grain dryers. Eventually, these investments will compensate for carbon pricing on fossil fuels because producers will be able to make a gradual transition. The announcement was very favourably received by the Canadian Federation of Agriculture and the National Farmers Union.

I'm sure you'll agree that the federal budget addresses the very real problem raised by this bill, without weakening the carbon pricing principle. We encourage parliamentarians to continue to pursue this path rather than the direction under study today. We agree that farmers need help, but we cannot agree on the systematic erosion of carbon pricing mechanisms. According to the most recent inventory, greenhouse gas emissions are still increasing. The transition needs to begin soon.

We know that farmers are experiencing growing stress because of the pandemic and a number of harmful climate events. We suggest compensation for income losses resulting from the use of fossil fuels in ways that would allow incentives for energy transition to continue. I hope that this option will be offered by the government. Bill C-206 is in my view incompatible with what the government has just proposed in its budget.

I will now give the floor to my colleague, Émile Boisseau-Bouvier.

Mr. Émile Boisseau-Bouvier (Analyst, Climate Policy and Ecological Transition, Équiterre): Thank you, Mr. Viau.

According to information received by the federal government, the average cost per farm of pollution pricing for grain drying varies from \$210 to \$774, depending on the province. Based on the data, this is equivalent to 0.05% to 0.38% of net operating costs for a medium-sized farm. These percentages are not very high and should enable us to find solutions quickly, particularly in view of yesterday's announcement about financing for more energy-efficient grain dryers.

Let's look in more detail at the costs for provinces affected by the bill. In 2019, Alberta estimated that carbon pollution pricing for grain drying would cost farms in the province 16¢ per acre, or \$210 for an average-sized farm. Saskatchewan estimated it at 51¢ per acre of wheat. Manitoba estimated costs of \$311-\$467 per farm, or between 23¢ and 33¢ per acre. In Ontario, grain producers estimated this cost at just over \$750 per average sized farm of approximately 400 acres, or at approximately 0.44% of operating costs.

To conclude, Mr. Chair, although the bill is presented as a plan to help farmers, it is really creating conditions that will tend to keep farming activity dependent on fossil fuels.

In view of yesterday's budget announcement, it would be in the interests of the farming sector, its farmers and its workers, for your committee to quickly look into alternatives to grain drying with fossil fuels so that the government can receive good advice as it implements the program.

We'll be happy to answer any questions you may have.

• (1650)

The Chair: Thank you, Mr. Boisseau-Bouvier.

[English]

I just would like to welcome Ms. McCrimmon as the replacement for Mr. Blois.

We are glad to have you here, Ms. McCrimmon.

[Translation]

We will now continue with Ms. Karen Ross of Farmers for Climate Solutions.

Ms. Ross, you have the floor for five minutes.

[English]

Ms. Karen Ross (Director, Farmers for Climate Solutions): Good afternoon, Mr. Chair and members of the committee. Thanks so much for inviting me to present today. My name is Karen Ross. I'm the director of Farmers for Climate Solutions, or FCS. We're a national coalition of farm organizations who know that agriculture must be part of the solution to climate change.

Launched in 2020, our coalition has grown quickly and includes 20 farmer-led and farmer-supporting organizations that now represent over 20,000 farmers and ranchers from coast to coast. Many of them already use farming practices that reduce emissions, increase resilience to extreme weather and improve their livelihoods. With the right government support, we can rapidly scale these kinds of practices and dramatically reduce emissions from agriculture.

FCS recognizes that putting a price on carbon pollution is essential to achieving Canada's emissions reduction commitments, and this is a fact that is now recognized by all parties in the federal Parliament, but we also understand the economic concerns behind Bill C-206. Many farmers sell in internationally determined markets, and any additional costs can make already tight margins even tighter.

Ultimately, FCS believes that the best way for farmers and ranchers to avoid the price on pollution is to produce less pollution. By transitioning away from fossil fuels, farmers will pay less tax and will be better positioned to compete in the new low-carbon economy. However, adopting practices and technologies that use lower amounts of fossil fuels comes with a lot of risk and a lot of high upfront costs, so farmers can't and shouldn't make this transition alone.

In recent history, our international competitors have dramatically scaled up investments in agri-environmental programs while Canadian farmers have been far less supported. Furthermore, many Canadian industries are receiving ample government support to re-skill and adapt for the clean economy, but agriculture has been largely left out, which means that we are not leveraging the full potential of farmers to contribute to our climate solution.

As a result, our sector's emissions have and will continue to rise unless we act now. This is why the funding announced yesterday in budget 2021 to directly support farmers to immediately adopt lower GHG practices is so heartening. The government has just made an important and unprecedented investment to support farmers to adopt practices like cover cropping, rotational grazing, improved nitrogen management, wetland and tree conservation and the adoption of low GHG machinery, which are all known to reduce emissions and build resilience.

This investment directly responds to FCS's pre-budget recommendation and is precisely the type of support needed to help our sector address the urgency of climate change while making smart business decisions.

The budget also includes a carbon tax rebate for farmers and support for energy efficiency retrofits of propane and natural gas dryers. Taken together, these investments reflect the fact that the government recognizes the potential for farmers to reduce emissions and is ready to support us to leverage our sector's full potential. There is more that still can be done and needs to be done, but that funding is an essential down payment for a resilient and low GHG farm future.

These investments also reflect the fact that on-farm technology to transition to a clean economy already exists. When it comes to grain drying, propane and natural gas dryers are already being retrofitted in Canada to increase efficiency. Also, alternative technologies that don't use any fossil fuels are on the Canadian market already. These alternatives all reduce energy bills for farmers and allow them to avoid some or all of the carbon tax, and their high upfront costs are now shared with the government.

The transition to low GHG agriculture is inevitable because domestic and international buyers are increasingly demanding low GHG products, and farmers won't be able to meet that market demand unless we start reducing our emissions now. That's why strong government support for innovation will benefit farmers more than exemptions to the carbon price.

In conclusion, the investments made in budget 2021 recognize that farmers need support to confront the single largest threat facing our sector, that of climate change. Those are critical investments that will jump-start emission reductions this season. They also lay a foundation for making agri-environmental support a core component of the next agricultural policy framework in 2023, which must further support farmers to compete in a clean economy of the 21st century.

The investments also provide a better path forward for reducing emissions from, and maintaining the affordability of, grain drying than does Bill C-206. Canadian farmers want to lead on climate change, and FCS is ready to support the design and implementation

of these important new programs so that they are widely adopted, work for farmers and start to reduce our sector's emissions immediately.

Thanks for your time. I look forward to your questions.

• (1655)

The Chair: Thank you very much, Ms. Ross. We'll now go to questions, starting with Mr. Lawrence for six minutes.

Mr. Philip Lawrence: Thank you very much.

My first question will be for the Canadian Cattlemen's Association.

You described in your testimony how the carbon tax will have a negative impact per head. Could you expand on what that impact will be?

Ms. Fawn Jackson (Director, Policy and International Relations, Canadian Cattlemen's Association): I'm going to take the questions. The ones that I can't answer, I'll pass on to Bob.

The Western University study found that at \$40 per tonne, there would be a \$25 per-head impact at the feedlot and \$11 at the cow-calf level, which results in a \$63-million impact on our industry. That's even when there are exemptions for agriculture.

Mr. Philip Lawrence: When this carbon price goes into place, there's the direct payment and then there are all the inputs. Do all of your competitors also have to pay carbon tax?

Ms. Fawn Jackson: No. Currently our competitors do not. I know that some are looking at it.

There's probably more research to do there, but it's certainly very concerning. We export 50% of what we produce. Our point is that we should not back farmers into a corner where they don't have any other option for what to do with this tool. It's important to look at other tools.

Mr. Philip Lawrence: In your experience in dealing with your members, do most of them feel strongly about the environment? If given the economically viable option, would they choose the more environmentally sensitive one, free of government taxation?

Ms. Fawn Jackson: Yes, absolutely. It's always heartwarming to see the absolute dedication of Canadian farmers and ranchers, particularly those beef producers who have grasslands and have come to appreciate them over the generations and really protect them—absolutely.

Mr. Philip Lawrence: I'll change witnesses.

For the gentleman from Équiterre, have you spoken to any western grain farmers?

Mr. Marc-André Viau: I'll take the question.

[*Translation*]

We are speaking with farmers in all parts of the country about several of our plans.

[*English*]

Mr. Philip Lawrence: Okay, because you know what? I've spoken to many grain farmers across this country, and I would like to know what you would say to some of them who are in danger of losing their farms because of the cost of the carbon tax. There are no viable alternatives right now. They don't exist.

I've spoken to them. They all want to fight climate change, but they don't want to lose their farms. What would you say to them?

[*Translation*]

Mr. Marc-André Viau: I'd like to remind the member that I'm not here to play politics, but to talk about this bill.

As we mentioned, we've been working with farmers to find solutions to the climate crisis and greenhouse gas emissions. If you listened closely to our comments, you would have understood that we were saying that the problem described in Bill C-206 was indeed real.

What we are saying is that the solution being put forward in this bill is not the right one. We agree with compensation. However, placing a price on carbon emissions serves a purpose, which is the need to reduce carbon pollution. That's what we understood from the Supreme Court decision, for example.

• (1700)

[*English*]

Mr. Philip Lawrence: Yes, but.... Excuse me. I am out of time. I don't mean to be rude, but we get about equal time to answer and ask questions.

There is no other alternative. The idea behind the greenhouse gas pollution act is, where there are elastic markets, to encourage people to go to greener solutions. In many places that may work, but here, there are no viable solutions. By not giving farmers this exemption, you're literally pushing some farmers into bankruptcy. What would you say to those farmers, sir?

[*Translation*]

Mr. Marc-André Viau: As I mentioned, we are aware of this reality. That's why we're saying that the solution being considered by the government in the budget, which will probably go through before this bill is passed, is a more viable solution in our view because it continues to put a price on carbon. It means that we can reduce our greenhouse gas emissions, and move towards a transition, while at the same time compensating farmers.

[*English*]

Mr. Philip Lawrence: Yes, but sir, that's just a consultation that will occur and may result in something next year. We don't even know whether that will ever occur or not. There may be a different government. Candidly, hopefully there will be.

Why will you not give farmers this small break? Farmers are teetering on the edge. Give them the break.

[*Translation*]

Mr. Marc-André Viau: I don't know why you're telling me that we don't want to give farmers a break, given that we just said the preferred option is the one put forward by the government and upheld by the Supreme Court, which means that meaning that while carbon pricing remains in place, farmers are compensated. The end result is that they receive compensation, thus ensuring that their income is maintained.

[*English*]

The Chair: You have about five seconds.

Mr. Philip Lawrence: I'll cede my time. Thank you.

The Chair: Thank you, Mr. Lawrence.

[*Translation*]

Thank you, Mr. Viau.

[*English*]

Now we'll go to Mr. Louis for six minutes.

Mr. Louis, you're on mute.

Mr. Tim Louis (Kitchener—Conestoga, Lib.): For the first time in a year and half or whatever it is, I did it: I finally was the one who was on mute. My apologies. I just got excited about talking to the witnesses.

Thank you to everyone for being here. I very much appreciate it. I'm so excited I did not unmute my microphone.

I'd like to begin by addressing Ms. Ross and maybe ask some questions.

We all know that farmers are on the front line of worsening climate impacts and unpredictable weather posing threats to our sector. So many of the farmers I'm speaking to—we are all around the country—are practising a lot of beneficial management practices to reduce GHGs. They're sequestering carbon. They are increasing their resilience and with more government support will be able to practice more climate-friendly farming practices. We even heard witnesses in the last panel talk about wet harvests and the ongoing higher risks of these conditions.

We're all looking for a more productive, competitive and resilient farm sector. We're looking also for alternatives to lowering emissions and supporting that innovation. All the parties in Canada have agreed that we need to price pollution, and now exemptions already exist on farm fuels. As discussed, with this bill we'd be exempting for heating, but another way to make the agriculture sector more competitive would be to lower emissions and costs in other ways. You touched on a few. I wondered if you could expand on them.

Part of your organization's six high-impact program proposals included doing more with less nitrogen, increasing adoption of cover cropping, normalizing rotational grazing, and protecting wetlands. Could you expand on some of those ways in which we could also become more competitive and lower our emissions in that sector?

Ms. Karen Ross: Yes. Thanks for the question, Mr. Louis. I'd be happy to.

We have to remember that farm fuels, of course, demand part of the GHG portfolio in agriculture, but it's only 14%. The rest of our sector's emissions come from other sources, predominantly nitrogen management, crop production and livestock. I like the question, because I think it's important that within this whole context we think about the major emission sources and how we can work with farmers directly to support changes in practices to reduce emissions.

What the budget adopted yesterday was direct support for farmers for five priorities that we advanced. Cover cropping is a practice adopted by many Canadian farmers but is not yet scaled. With direct upfront support for farmers, we can scale this practice. It's better for soil health, water management and pest control, but it also helps to reduce emissions.

Rotational grazing is a practice that is quite well understood, again with high upfront costs associated with infrastructure—more fencing, more water bowls where necessary. Therefore, supporting farmers to share in those upfront costs to then adopt practices that further reduce emissions on our farms is a great way to go.

In terms of improved nitrogen management, nitrous oxide from the use of nitrogen fertilizer, or nitrogen fertilizer waste, is the largest single growing source of emissions in our sector. Let's not lose sight of that one. We need an agronomist to work closely with farmers to improve nitrogen management to be more efficient in our use so that we're not wasting nitrogen. That's better for farmers and it's also better for the environment.

Finally, around wetlands and trees, it's so important. Keeping trees and wetlands on farms is powerful in terms of maintaining a GHG sink. Farmers can play a huge role in that if they're supported with the economic costs of not farming that land, of not making revenue off of that land.

Taken together, Mr. Louis, in our analysis we worked really closely with some of Canada's best GHG modellers and agriculture economists. For the first time ever, we produced a report in Canada that quantifies the GHG reduction potential of these practices if scaled with the right kinds of supports that we saw in the budget. We're looking at 10 megatonnes. That's huge. That's just under one-seventh of our total emissions across a season or two. It's a powerful way to support farmers to really be climate heroes and to really be part of our collective climate solution in Canada.

• (1705)

Mr. Tim Louis: They want to be. I think you touched on it. They basically need that financial support. Even education-wise, in our riding here, the Grand River Conservation Authority has a really good relationship with the farmers and they were doing their part. It's that support and the programs that are in our budget, like the nature smart climate solutions fund or the agricultural clean-tech fund

that, hopefully, can make this sector more resilient and also more protected.

With my remaining time, I want to switch to Équiterre. In my riding, we have a company called Bioen, which is producing an anaerobic digestive system that turns organic waste into renewable energy through anaerobic digestion. This company has already commissioned 345,000 annual tonnes of waste processing capacity and nine million watts of electrical generating capacity to date.

Can you talk about some of the innovations, such as anaerobic digestion and biogas, that we can invest in to help make this transition?

[Translation]

Mr. Émile Boisseau-Bouvier: Thank you very much, Mr. Louis.

Indeed, as you have pointed out, there are fossil fuel alternatives that have not yet been used on a large scale. The example you gave is a very good one. There is also the Triple Green Products company, which was mentioned a little earlier.

Other sources of electricity can sometimes be used, even though, as was mentioned several times, grain drying is only seasonal. There are problems involved in installing an electrical infrastructure on a farm, but there are several possibilities...

The Chair: Excuse me, but unfortunately your time is up.

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

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

I'd like Mr. Boisseau-Bouvier to continue with what he was saying about alternatives.

Mr. Émile Boisseau-Bouvier: It's true that there are alternatives, whether biomass, electricity or simply more energy-efficient measures to enhance existing systems and thus decrease the use of fossil fuels.

Mr. Yves Perron: Okay.

I began by letting you finish your comments and forgot to thank all the witnesses for having accepted our invitation. So I'll digress briefly to thank them now.

What have you got to say to producers like Mr. Lowe and the previous group of witnesses, who are telling us that it's difficult to make the alternatives viable?

• (1710)

Mr. Marc-André Viau: Good afternoon, Mr. Perron. Thank you for your question.

It's true that some alternatives are not viable at the moment. In Quebec, for example, electrifying some farms means extending the three-phase network, and that's extremely expensive. If we were to ask the producers and farmers to pay these costs, it would definitely not be viable.

That's why we are really making an effort to encourage governments to support the farm sector. Before the tabling of the federal budget, my colleague Ms. Karen Ross of Farmers for Climate Solutions proposed investments of \$300 million. Those announced were not on this scale, but they are nevertheless significant, as I said earlier. They were welcomed by the Canadian Federation of Agriculture and other federations.

Mr. Yves Perron: Okay.

I understand, and to some extent I'm at where you are on this. There's still hesitation about dropping the price on pollution. It's a principle almost everyone agrees with. However, we can look at the current measures and strike a better balance.

For example, the Greenhouse Gas Pollution Pricing Act currently has some exemptions, for things like fuel for tractors. Bill C-206 could include propane and natural gas, which in fact create less pollution than methods that are already exempt, and for which producers tell us that they have no economically viable alternatives.

No one is talking about eliminating the carbon tax, Quebec's carbon exchange and things like that; far from it. But might there not be an interim solution in the form of an exemption for these fuels, combined with massive investment in support of energy transition, and R and D to improve the processes?

You mentioned extending the three-phase network. Consideration could also be given to developing smaller infrastructures to deal with biomass, for use on a seasonal basis.

I'd like to know what you think about this.

Mr. Marc-André Viau: Your comment, like the study of this bill, is very apt.

I repeat, the problem is a real one. As there is no alternative, what are we to do?

You mentioned the time span, which is precisely what is missing from this bill. There is no discussion of the time span. There is an exemption for these fuels, but no time period is specified. We've already said that we are in favour of the solution put forward yesterday by the government because it combines two elements: direct assistance and transitional assistance. Transitional assistance is generally used to reduce the time period during which direct assistance is provided, as the shift to innovation development assistance accelerates. As that progresses, direct assistance is reduced.

Mr. Yves Perron: This discussion is genuinely interesting.

My understanding is that if a time span was specified, then a major incentive allowing the state to support a transition would be less of a problem for you, although I'm pleased that it will bother you anyway.

Mr. Marc-André Viau: As I was saying a short while ago, any proposal to weaken carbon pricing is related to an equally important issue, because there are significant impacts on farming. Any mechanism that would affect this pricing would, we believe, be problematic.

Nevertheless, it would be worthwhile to consider the time span issue.

Mr. Yves Perron: The idea is to avoid extremes on either side. We need to move forward calmly to reduce greenhouse gases. It's urgent, and we're all very much aware of it.

Do you believe that we would get more support from the farming community if we didn't reduce income?

I don't know if you heard the testimony earlier...

• (1715)

The Chair: I am sorry to interrupt you, Mr. Perron, but your speaking time is up.

Mr. Yves Perron: Thank you.

The Chair: Thank you, Mr. Perron.

[English]

Mr. MacGregor, you have six minutes.

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

Farmers for Climate Solutions, first of all, I appreciated your opening statement. I'm glad to see farmers, particularly members of your organization, putting themselves in a place of prominence in leading this conversation. I, too, believe that our agricultural producers have a key role to play over the next decade and beyond in showing what they can do to be one of our leading weapons in fighting climate change.

I want to drill down on this question of the alternatives to grain drying. I know my questions are very similar to what you've already been asked by my colleagues. Our previous round of witnesses, particularly the Grain Growers of Canada, were quite adamant that there are no viable alternatives to grain drying.

In your opening statement you did say that you support a price on pollution. I do as well. You also mentioned that you understood the financial crunch that many farmers have.

I'm trying to sort through the two different narratives here. I mentioned to our previous witnesses that there seem to be some grain drying systems that use crop residue as a fuel source. Are those some of the alternatives that we should be looking at, particularly with respect to this \$50 million that has been earmarked in the budget to try to find more efficiency in this?

Any way that you can help illuminate this issue for us would be greatly appreciated.

Ms. Karen Ross: Thanks. I don't know about illuminating issues entirely, but I'd love to contribute. Thanks for the question, Mr. MacGregor.

Listen, this question about alternatives existing in Canada is troubling. I'll provide one example. We have actually already had a Canadian precedent, a public program in Alberta called the efficient grain dryer program, which funded 39 retrofits to grain dryers in Alberta. The program was poorly funded or short term and not that well publicized, but retrofits are possible, are definitely happening and are an alternative that helps to at least reduce the carbon tax that farmers would be paying on grain drying.

You mentioned biofuels. There's a made-in-Manitoba solution scalable to any size of farm. It relies on biomass produced on-farm to dry grain.

These are the kinds of innovations that I think we all wish our sector had decades ago so that we could have adopted them even before the price on pollution came into place, but we didn't. It is with these kinds of programs that we're going to see the innovation we need in our sector.

In terms of helping to solve this issue, Mr. MacGregor, I think one key thing to keep in mind is absolutely that retrofits to existing grain dryers that help to reduce emissions also help to avoid the carbon tax. When it comes to biomass and systems that use biofuel produced on-farm, I think we proceed with caution. Of course, that eliminates the carbon tax. We need to be sure that the life-cycle effect confirms that it actually reduces overall emissions too. That's obviously the ultimate goal.

Overall, farmers who are in our network and who have retrofitted and who are using alternatives have significantly lower fuel bills now too. In the long run, this actually makes really strong economic sense.

Ultimately, the way I see it, there's no choice in front of us, right? Our sector is transitioning no matter what, because the market is demanding it domestically and internationally. From the biggest to the smallest buyers, we're seeing essentially everybody asking for lower-GHG foods. The role for government policy, I strongly believe, is either to better support farmers to stimulate that innovation to help support those steep upfront costs so ultimately we can lower our fuel costs, practices that make more economic sense, rather than....

Maybe I won't present a "rather than", Mr. MacGregor. I'll just conclude by saying that ultimately the urgency of climate change requires all hands on deck, all policies possible. I think what we were seeing yesterday was a substantial investment that helps to minimize the financial burden of the price of pollution on farmers, using natural gas and propane while also directly supporting the transition to reduce emissions. That's a win-win. That's what we need to see.

• (1720)

Mr. Alistair MacGregor: Yes, absolutely. I couldn't agree with you more.

When you look at the budgetary announcement yesterday, you see that they are announcing that \$100 million in the first year. Bill C-206 has a very narrow scope; when you look at it, it really is essentially about grain drying. I guess the government is recognizing that some money has to be returned to farmers during this transition phase. When you're holding up the budgetary announcements of yesterday and Bill C-206, couldn't you plausibly argue that Bill C-206 is in fact an interim measure while we help farmers in the transition?

Ms. Karen Ross: I think that's what the rebate serves to do. The rebate serves to recognize the upfront cost of the tax right now and the tight margins that farmers are facing, but also stimulates. It doesn't shy away from acknowledging that farmers want to and can reduce emissions. We need to start now. We have nine growing seasons left to Paris, and our emissions are rising across the board.

Mr. Alistair MacGregor: Okay. Thanks so much for that.

The Chair: Thank you, Mr. MacGregor.

Thank you, Ms. Ross.

Now we'll go to Mr. Steinley for the second round of five minutes.

Go ahead, Mr. Steinley.

Mr. Warren Steinley (Regina—Lewvan, CPC): Thank you very much.

Bob and Fawn, would your membership prefer a rebate or an exemption?

Ms. Fawn Jackson: An exemption.

Mr. Warren Steinley: Why would they prefer an exemption?

Ms. Fawn Jackson: You know, I think that in the conversation, everybody is agreeing that we need to do something, right? I think it's about what is the right tool to do that. I think the problem with taxing them and then giving these exact same dollars back is a problem in the sense of, "Let's not back them into a corner without an extra tool".

Frankly, I think that maybe that time frame discussion is a good one to have while that transition is happening, but this just pays accountants and the middle folks. We need to keep dollars in producers' pockets.

Mr. Warren Steinley: I could not agree with you more.

Of your membership, how much money do you think they'll save in their pockets? Have you guys done a study for this exemption in this bill that was put forward by Mr. Lawrence?

Ms. Fawn Jackson: We've looked at a few specific farms, looking at those corn flakers that increase the digestibility of, and thereby reduces the environmental footprint of, those products. It's not like grain drying, where every single operation has them. To try and multiply it out.... It's a specific impact. That's a \$63,000 bill for a specific farm.

Looking at another farm that has a calving shed and a shed that holds a couple of tractors, that's a \$6,300 impact.

Mr. Warren Steinley: It's huge difference.

I went home last week and helped my cousins vaccinate heifers and we put them out to pasture. Since the mid-eighties until late nineties, we've been doing rotational grazing in southwest Saskatchewan because it's the smart thing to do and we're good environmental stewards of our land. We've been doing crop rotations in southwest Saskatchewan and across Saskatchewan and western Canada since the mid-nineties as well because it does well for a soil conservation and it helps us retain nitrogen in the soil when we put different crops on it at different times. These aren't new practices. We're doing them now and I'm very proud of the innovation that our farmers have done. I think they know more about the land than we do. I hear that all the time when I go back home and visit my cousins.

Ms. Ross, I appreciate your testimony very much. You spoke about having lower GHG emissions in food production. I don't know the answer to this; I'm hoping you might. What countries have lower GHG food production than Canada? I think our producers and our people are doing a very good job. I'd be willing to know if you have numbers that show there are countries that are more environmentally friendly than we are.

Ms. Karen Ross: Thanks for your question.

The emissions in our sector are rising to 2030, and that's the problem. There's a second problem. If we look around the world compared with some of our most significant competitors, like countries in Europe and the U.S., we're noticing that their public investments in farmers and agri-environmental programs—programs that help farmers adopt practices to reduce our environmental footprint including GHGs—are much more significant. Those are two problems at hand here.

For agriculture to contribute to Canada's climate solution, which I think we all want it to and I think every farmer does, we need to reduce our emissions.

• (1725)

Mr. Warren Steinley: Do you know if there is a country that produces at the level we do, in terms of beef and pork commodities, but has a better environmental record than ours? Per tonne in Canada, be it beef or pork, I think our emissions are comparable or lower than most other countries' right now. I agree, and everyone on this call agrees, that we can continue to do better, but at this point in time is there a country that does agriculture better environmentally than us, in your opinion?

Ms. Karen Ross: I think we're comparing apples to oranges. If we think about GHG efficiency per pound—let's just use that metric—we're doing very well.

Again, what we need to remember is that climate change is going to continue and increase impacts on our farms if we don't reduce absolute emissions. That is the problem we need to consider. The competition—

Mr. Warren Steinley: Yes, I think we agree on that.

Ms. Karen Ross: Okay.

Mr. Warren Steinley: I just wanted to know that you think we're doing it very well. We completely agree. There's always more work to be done.

For the gentlemen from Équiterre, what's the largest farm that you guys got information from in Saskatchewan, Alberta or Manitoba, based on your numbers you shared about the rebates being comparable to the price they're paying on grain drying or irrigation pumps?

[*Translation*]

Mr. Marc-André Viau: Thank you for your question, Mr. Steinley.

This information was provided by the respective provincial governments, and sent to the federal government. It is therefore public data.

[*English*]

The Chair: Merci, Mr. Viau, and thank you, Mr. Steinley.

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

Go ahead Mr. Drouin.

Mr. Francis Drouin: Thank you, Mr. Chair.

I really appreciate the questions that my colleagues Mr. Lawrence and Mr. Steinley are asking on whether or not Canadians or farmers prefer a rebate versus an exemption. I can assure them that if we ask Canadians whether they prefer paying taxes or not, they'd say they don't. It's a matter of fact, but unfortunately, we do have to pay some taxes in this country and probably any country around the world, but that's not to the point here.

I just want to start off by saying we're not trying to penalize farmers; we're trying to change the suppliers. The suppliers are the issue, not the farmers.

Fawn.... I'm calling you Fawn because I think the last time I saw you was actually on a farm where you guys were showing me rotational grazing and how that was working really well in Vankleek Hill in my riding.

The study that you looked at with the \$25 per head impact per animal, did that take into account—obviously, if variables don't change—our continued use of the same supply of natural gas or propane and whatnot?

Ms. Fawn Jackson: That study looked at whether the beef industry has or doesn't have a fuel exemption. It didn't even include the propane and natural gas that was the original fuel exemption. We found that whether we're exempt or not, the carbon price has a very significant impact on the competitiveness of the industry.

Mr. Francis Drouin: The last time I saw you, the U.S. elections hadn't happened, and my question is one that I've asked previous witnesses. I'm wondering if your organization has spoken with the U.S. now that they've announced that they'll again be a signatory to the Paris Agreement.

I'm asking that because I know, especially on the cattlemen's side, that trades happen. Cattle go down south and come back. We're really integrated.

Are you aware of any climate policy they're proposing that would hit sectors of theirs that are similar to ours?

Ms. Fawn Jackson: We've absolutely been in discussions with partners at the American Farm Bureau and the U.S. Cattlemen's Association, and a number of other organizations down there, talking about how we tackle climate change together. We certainly recognize the importance of policy alignment, particularly within the North American sphere. So we have been sharing our experiences in Canada with our American partners, and also with our partners around the globe.

It's really important. Over the last couple of years, when we look at how Alberta is doing, for example, in comparison to Texas, we've seen that we've become less competitive. I'm not going to attribute that all to climate pricing.

It's not that we're against it. It's just about how we compete in this global environment and make sure that we don't just push production to other jurisdictions. I know it's nobody's intention, but that's why we have these conversations about how to do this the right way.

• (1730)

Mr. Francis Drouin: Is the U.S. saying how they're going to reduce their emissions within the cattle industry? I would be looking at some of the northern states, which would have more comparable weather to ours.

Ms. Fawn Jackson: I think one of the tools everybody's discussing is ecosystem service payment programs. Karen talked a little about that. I think that offers a lot of exciting opportunities. You can then reward carbon sequestration, and also biodiversity and a whole bunch of stacking impacts. I've heard a lot of discussion on that in the U.S. I think that's a really appropriate tool for agriculture.

Mr. Francis Drouin: That's great.

Are you keeping statistics on how many of your farmers are doing rotational grazing? I know Mr. Steinley said that that practice is widely adapted in southern Saskatchewan. I haven't visited every farm here. Maybe one day I will. I know it's a practice that's very widely adopted here, but I don't have statistics.

Ms. Fawn Jackson: You're right, it is a well-adopted tool. I think more research is going into how we can further increase carbon sequestration with tools such as grazing animals. Admittedly, I think there's quite a bit more research to be done there. I think the research has shown us there is quite a bit more potential there.

Bob talked about our having a greenhouse gas footprint that is 50% of the world average, but that doesn't even take into consideration the carbon sequestration that happens in the beef industry.

[Translation]

Mr. Francis Drouin: Thank you very much.

The Chair: Thank you, Mr. Drouin.

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

Mr. Yves Perron: Thank you, Mr Chair.

I had one final question for Mr. Viau.

Mr. Viau, we are more or less on the same wavelength. The producers don't want to depend on the government. They would rather have an exemption at the source and a transition incentive that would make for more innovations.

I have a question for you. It does not necessarily represent my position. If we tax producers, we reduce their financial and investment capacity. Rather than tax them, we could allow them a temporary exemption, as allowed in Bill C-206, which would give them a little more financial leeway. We could add an incentive, such as a modernization investment program.

As you mentioned, the budget announced yesterday includes a plan to invest \$50 million on dryers. That's wonderful, but it's not much for all of Canada. That's often the problem with politicians. There's a lot of fine talk, but the amounts are minimal and rapidly run out. More resources would therefore be needed.

What do you think of this option?

Mr. Marc-André Viau: My colleague from Farmers for Climate Solutions could speak to you for hours about ways of enhancing innovation programs and energy-efficiency measures. If you were to ask her again to discuss these issues, she'd be glad to answer them.

Mr. Yves Perron: She could also expand on your reply.

Mr. Marc-André Viau: I'm sure that she could.

It's definitely a good idea to be less dependent, but producers will always be dependent on government assistance when there are extreme weather events or climate crises, to be able to restart their businesses.

Mr. Yves Perron: They'll remain dependent, unless we review the farm support programs instead of simply waiting for disasters to happen before promoting them.

Mr. Marc-André Viau: Yes.

Mr. Yves Perron: I'd like to give Ms. Ross a few seconds to flesh out your answer.

• (1735)

Ms. Karen Ross: Thank you, Mr. Perron.

[English]

I'll say it in English.

Listen, \$50 million is likely not enough. It is a wonderful start. From conversations with Agriculture Canada, I understand that, on average, retrofitting a grain dryer would cost about \$25,000. With that amount, we could do 4,000 in one year. That's not bad.

The Chair: Thank you, Ms. Ross. Unfortunately, I have to move to the next one.

We're a little bit over time. I'm hoping the committee will indulge me. We just want to complete the rounds.

Mr. MacGregor, you have two and a half minutes.

Go ahead, Mr. MacGregor.

Mr. Alistair MacGregor: Thank you, Chair.

Ms. Ross, I have two questions.

First, can you provide a little bit more detail on those retrofits you mentioned, if you know what they involved and maybe some of the efficiencies that were achieved? If you don't know, that's okay.

As for the other part of my question, you made reference in your opening statement to the other parts of the budget that were mentioned: helping accelerate emission reductions through nitrogen management, the adoption of cover cropping, rotational grazing, etc. In your view, looking at the critical next 10 years, what other policy areas can we be engaging in, particularly with regard to carbon sequestration? In your view, is there some kind of a reward system whereby we can analyze the status of Canada's soils, look at the techniques farmers are employing, and maybe give them a credit for the good job they are doing putting carbon in the soil, where we want it to be, and not in the atmosphere, where it's causing all this havoc?

Ms. Karen Ross: Those are great questions.

The Chair: You have probably around two minutes left.

Ms. Karen Ross: For the first one, I don't know the technical answer. I can just say that for the Alberta program I flagged earlier, the average grant size was \$6,000 for retrofits, and that led to about 40 retrofits in Alberta. That's different from the \$25,000 I mentioned. I don't know if that means the technology was different, but it's something we should all look into, I suppose, me included.

For the second question, there is so much more to do. You're flagging soil carbons, so I'll go with that one. Absolutely, that's an incredible resource that farmers are responsible for protecting on millions of acres across Canada. It's better for production if we have better soil health; it's better for the climate; it's better for water and for biodiversity. There are so many great reasons.

Other folks here, including Fawn, have talked about the potential of offsets. This is an important opportunity on the horizon. I understand that two protocols are at least being prioritized. What we

want to remember about offset protocols, though, and payments is that we want to be sure they're changing the status quo. Ultimately, to lead to real emission reductions, we need to be sure offset payments are actually generating new emission reductions. The investment we saw in the budget yesterday is so important if for no reason other than to create an important public bridge to incentive change on our farms and to help share that upfront cost, so that if offset markets come into place, we'll be well supported to really scale up a transition to improve soil health.

You mentioned mapping. I think that's so important. We need to understand better the potential of our soil to sequester carbon as well as which practices have the highest impact. In our work for the budget submission, even though we worked with some of the best GHG scientists in Canadian agriculture, who have participated in the Kyoto protocol and who have been at this for decades, we still struggled to find enough data to be very, very confident in the megatonne reductions on parts. So more research is needed, paired with more incentives direct to farmers to adopt these practices.

The Chair: Thank you, Mr. MacGregor, and Ms. Ross.

That concludes our second panel. These were very interesting conversations.

I want to thank the Canadian Cattlemen's Association, Mr. Bob Lowe and Ms. Jackson.

[Translation]

I'd like to thank the two Équiterre representatives, Mr. Marc-André Viau and Mr. Émile Boisseau-Bouvier.

[English]

Of course, Ms. Ross, thank you so much for your testimony.

[Translation]

Mr. Marc-André Viau: Thank you, Mr. Chair.

Thanks to all the committee members.

The Chair: Thank you.

[English]

With that, we shall adjourn the meeting.

To our committee members, we'll see you again on Thursday.

Thank you so much.

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