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Chair: Mr. Kody Blois



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• (1550)

[*Translation*]

The Chair (Mr. Kody Blois (Kings—Hants, Lib.)): I call the meeting to order.

Welcome to meeting number 110 of the Standing Committee on Agriculture and Agri-Food.

I'll start with a couple of reminders. Today's meeting is taking place in a hybrid format. The proceedings will be made available via the House of Commons website. Just so you are aware, the webcast will always show the person speaking, rather than the entirety of the committee. Screenshots or taking photos of your screen is not permitted.

This is the first meeting on our new study regarding carbon pricing and reciprocity of standards. Mr. Drouin proposed the topic for this study.

Mr. Perron, I see that you want to speak. Please be very brief, since we have witnesses before us.

Mr. Yves Perron (Berthier—Maskinongé, BQ): I just want to mention something for the record.

I made a comment to the analysts about the title of the briefing document we received. Incidentally, the analysts are doing an extraordinary job, but I felt that the title had been pruned a little too much and that we were losing the meaning of what I had added, that is, that we were really going to study the requirements for products coming from abroad. I have already discussed this with them in a very cordial manner, they have welcomed my comments and they will make corrections. I simply wanted to mention that we had been vigilant in this regard.

The Chair: Okay. We may have an opportunity this afternoon, after our meeting, to discuss how the text of the motion will be published.

[*English*]

I'm going to start with our witnesses today. We have four witnesses from four different government departments.

I'm going to start with someone you all know. From the Department of Agriculture and Agri-Food, we have Tom Rosser, assistant deputy minister.

Welcome back, Mr. Rosser, to the committee.

From the Department of Finance, we have Michèle Govier, director general of the international trade policy division.

From the Canadian Food Inspection Agency, we have Kathleen Donohue, vice-president, international affairs; and Evelyn Soo, executive director, food safety and consumer protection directorate.

Last but not least, from the Department of the Environment, we have Judy Meltzer, associate assistant deputy minister, environmental protection branch. I understand you have no opening remarks, but you'll be available for questions accordingly.

I'm going to start with Mr. Rosser. You have up to five minutes for opening remarks.

Mr. Tom Rosser (Assistant Deputy Minister, Market and Industry Services Branch, Department of Agriculture and Agri-Food): Thanks so much, Mr. Chair, and good afternoon.

Agriculture and Agri-Food Canada has a mandate to ensure the long-term economic competitiveness, sustainability and resilience of the Canadian agriculture and agri-food sectors. Canada is among the world's top exporters of agricultural and agri-food products. Because of this strength and a predictable rules-based trading system, the Canadian agriculture and agri-food sector plays a vital strategic role as a global contributor to food security.

Trade facilitates the transfer of goods, services and technologies that enable the agricultural productivity and growth that are vital to achieving greater sustainability and food security worldwide. The role of trade in achieving not only food security and sustainability goals is growing in importance, and countries are increasingly engaging internationally to discuss these issues.

As a strong proponent of the multilateral rules-based system, Canada is an active participant in international discussions on trade and sustainability. For example, at the World Trade Organization, Canada is a co-convenor and an active participant in something known as the TESSD, or trade and environmental sustainability structured discussions, which is a forum where members and external stakeholders can come together to discuss policy approaches and ideas to enable environmentally sustainable trade in a transparent and inclusive manner.

Similarly, as a member of the OECD, Canada is supportive of its research into the relationship between trade and sustainability in the agricultural sector. International discussions on trade and sustainability reflect the broad diversity of tools that countries are considering in their approaches to sustainability. This includes research and innovation, regulatory measures, subsidies and other forms of support, as well as technical capacity building.

Given its critical role in achieving global food security, Canada's view is that measures should be designed in the least restrictive manner possible to achieve their objectives. Canadian farmers are rightfully proud of their legacy of environmental stewardship. It has been built on a commitment to continuous improvement.

Through our sustainable agricultural strategy, our government hopes to be a partner in working towards achieving Canada's broader 2030 and 2050 environment and climate goals. This strategy will help set a shared direction for collective action to improve environmental performance in the sector over the long term in order to advance the sustainability, competitiveness and resilience of the sector.

[*Translation*]

Agriculture accounts for about 10% of Canada's greenhouse gas emissions, whereas globally it's about 30%. Over the past 30 years, Canada has doubled its agricultural production, while its greenhouse gas emissions have remained more or less stable. So there has been a significant drop in emissions intensity.

In developing our strategy, having reliable data is a cornerstone of environmental policy, as it will allow us to measure progress.

With respect to border adjustments for carbon, we are aware that a number of countries are exploring this possibility in certain sectors, such as aluminum, steel and fertilizers. To our knowledge, no country has proposed a similar measure in the agricultural sector.

Canada has a long history of working with our allies to promote better international market access and minimize non-tariff barriers to international trade.

As the committee will no doubt hear in the course of its work, agricultural stakeholders in Canada have a strong interest in issues at the interface between the environment and international trade, and they often participate in discussions on these issues, not only in Canada, but also internationally.

I thank committee members for their interest in this topic.

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

I now yield the floor to Ms. Govier for five minutes.

● (1555)

[*English*]

Ms. Michèle Govier (Director General, International Trade Policy Division, Department of Finance): Thank you.

Good afternoon. My name is Michèle Govier. I am the director general of the international trade policy division at Finance Canada. My team leads on federal import policy, including tariff and trade remedy policy, as well as the government's ongoing consideration of border carbon adjustments, or BCAs. I understand the committee had an interest in the BCA consultations we undertook in 2021-22, and I'm glad to be here today to talk about our ongoing work in this area.

BCAs are intended to account for differing carbon costs that companies face across jurisdictions when goods they produce are traded internationally. They typically involve border charges that seek to replicate domestic carbon pricing for imported goods,

though rebates of carbon costs for exported goods could also be contemplated. The main objective of BCAs is to reduce the risk of carbon leakage—that is, the movement of investment or production to jurisdictions with a lower carbon cost—thus supporting greater climate ambition and maintaining a level playing field for industries subject to carbon pricing.

Given their administrative complexity and relatively high compliance burden, BCAs are typically contemplated for the most emissions-intensive and trade-exposed sectors, such as steel, aluminum, cement and fertilizer, among others. The EU will be the first jurisdiction to impose a BCA with its carbon border adjustment mechanism, or CBAM, currently in a transitional, reporting-only period. Border charges are currently scheduled to enter into force in 2026 for a narrow set of sectors: cement, electricity, fertilizers, iron and steel, aluminum and hydrogen. The U.K. is also on track to impose a CBAM in 2027.

In terms of our own work on BCAs, in 2020 the Government of Canada announced it would explore BCAs to address carbon leakage risks and competitiveness pressures associated with domestic carbon pricing. In August 2021, the government launched consultations seeking views from a full range of industry associations representing companies in emissions-intensive and trade-exposed sectors, as well as labour unions, academics, non-government organizations, think tanks and the provinces and territories.

To support these consultations, the government released a paper called "Exploring Border Carbon Adjustments for Canada", which explored the policy considerations related to BCAs from an economic, environmental and international trade relations perspective.

The key messages we heard from Canadian stakeholders through our consultations were not only an interest in a BCA from certain sectors where decarbonization presents greater challenges and where the risks of carbon leakage with a rising carbon price are more prominent, but also a strong preference to retain existing carbon leakage mitigation measures, for example, free allowances provided through the output-based pricing systems alongside a potential BCA.

Concerns were generally about the possibility of retaliatory measures, administrative costs and price impacts, and about the importance of coordination with the United States as our largest trading partner.

Several agricultural stakeholders participated in the consultations and expressed the following key comments. There was mixed and cautious support for the application of BCAs to agricultural goods, including due to concerns that it could lead to greater trade protectionism in the sector. There was recognition that carbon sources and costs in the agriculture sector are more complex and would not lend themselves well to carbon accounting associated with a BCA. There was a recommendation that the best way to ensure the competitiveness of Canadian farming is through the upfront relief of carbon pricing, and there was concern about the impact of BCAs on the cost of farm inputs such as pesticides and fertilizers.

In exploring BCAs, we have identified considerations that are inherent to any jurisdiction that is contemplating that measure, which include the benefits of a BCA in ensuring a fair and predictable environment for businesses as they pursue industrial decarbonization, how to design BCAs that would comply with international trade obligations, and the evaluation of the cost impacts and the compliance burden of BCAs, including costs passed through for downstream industries.

I would note that there are other considerations that are of particular relevance for Canada, one being the different provincial and territorial carbon pricing systems across Canada, which make it difficult to design a BCA that accurately adjusts for carbon costs across the country, and also the significance of the U.S. as a trade partner, given its lack of federal carbon pricing.

The government continues to contemplate this policy tool, in light of these different considerations, taking into account the domestic context, including Canada's broader agenda for transitioning to net zero as well as international developments. Since our consultations, we have not had further representations from the agriculture sector expressing an interest in BCAs.

I'll be pleased to take questions. Thank you.

● (1600)

The Chair: Thank you very much, Ms. Govier.

Just for my benefit, BCA.... I missed the acronym. Was it border carbon adjustment?

Ms. Michèle Govier: It is border carbon adjustment, yes.

The Chair: Okay, thank you.

I will now turn to CFIA and Ms. Donohue.

You have up to five minutes. It's over to you.

[*Translation*]

Ms. Kathleen Donohue (Vice-President, International Affairs, Canadian Food Inspection Agency): Thank you, Mr. Chair.

Good afternoon.

Thank you to the members of the committee for the opportunity to speak to you today on a rather important topic.

My name is Kathleen Donohue. I am the vice-president of the international affairs branch at the Canadian Food Inspection Agency, or CFIA.

My remarks today will focus on the treatment of imported foods versus those produced in Canada.

[*English*]

The Canadian Food Inspection Agency is a science-based regulatory agency whose mandate is the safeguarding of plants, animals and food, which enhances the health and well-being of Canadian peoples, the environment and our economy. All food sold in Canada, whether domestically prepared or imported, must meet the food safety and nutritional quality standards and labelling requirements of the safe food for Canadians regulations and the food and drugs regulations.

With regard to the CFIA role, the agency conducts risk-based activities to ensure the safety and compliance of food, both domestic and imported. During inspection, the Canadian Food Inspection Agency verifies that food complies with Canada's food safety requirements. Regardless of the origin of the food product, the CFIA takes action when a product does not meet Canadian regulations, and, in the case of an imported product, works with foreign governments to address any food safety risk as required.

The CFIA verifies that safe food for Canadians licence-holders meet federal food requirements. This includes sampling and testing products, commodity inspections and the verification of preventative control plans. The CFIA can issue border lookouts and undertake point-of-entry inspections to prevent non-compliant food from entering Canada, including through orders for its removal from Canada, the destruction of the product or the suspension or cancellation of a licence. Other non-compliance actions may include corrective action requests, seizures and detention, and even prosecution.

The CFIA may enter into arrangements with international trading partners that outline specific conditions for imports, including conditions that require the foreign government to issue certificates for specific commodities.

[*Translation*]

The CFIA conducts foreign audits of food inspection systems as well as risk-based audits of foreign establishments to ensure that products exported by these countries and establishments meet Canadian import requirements.

For high-risk food products such as meat and shellfish, a foreign country's inspection system must be pre-approved by the CFIA before products from that country can be exported to Canada. These assessments are intended to ensure that products exported to Canada comply with Canadian laws and regulations.

In summary, the CFIA requires imported food products to meet the same level of protection as those produced in Canada. It has several mechanisms to ensure that imported products meet Canada's food safety requirements. In addition, the CFIA may take appropriate action when those products do not meet these requirements.

Thank you.

I would be pleased to answer any questions you may have.

The Chair: Thank you very much, Ms. Donohue.

Now is the time for questions.

We'll start with the Conservatives.

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

[English]

Mr. John Barlow (Foothills, CPC): Thank you, Mr. Chair.

Thank you to the department for being here.

It is interesting that this study was put forward by the government, but the officials weren't ready to talk about this last week. I'm a bit concerned that this is potentially a policy the government wants to look at implementing but wasn't ready to even discuss at committee.

Mr. Rosser, I'll go to your comments first.

You talked about global emissions from agriculture being 30% globally. Canada makes up 1.6% of global emissions, and agriculture makes up about 10% of that. That's what you said. That's your number of our own emissions. We are certainly much lower than the global average when it comes to agriculture.

When it comes to our competitiveness in the agriculture sector, in so much of what we do, we rely on international trade and trade access to other jurisdictions. In your opinion, what would implementing a carbon border adjustment on agricultural products do to Canada's competitiveness, when we're already far exceeding other global jurisdictions when it comes to emissions and our environmental accomplishments?

• (1605)

Mr. Tom Rosser: The member is quite right that, roughly speaking, agriculture emissions are about 10% of the total in Canada. There isn't really a definitive source that allows you to do a comparative across the world, commodity by commodity, of emissions intensity. However, the available evidence suggests that Canada is a very strong performer when it comes to greenhouse gas and sustainability characteristics in the ag sector.

As I referenced in my opening statement, agricultural stakeholders, particularly those that are the most exposed to trade, are very interested in discussions around international measures on trade. I think this is because their overriding concern, which is also ours, is that whatever measures get put in place, they do not create possibilities by trading partners for new, non-tariff barriers or barriers to trade.

That would be my characterization, anyway, of the view of the agricultural sector.

Mr. John Barlow: Thanks, Mr. Rosser.

I find it interesting that both you and Ms. Govier from the Department of Finance use the word "interests" to describe the very real concerns that the stakeholders you've consulted with are raising. I would say they are not "interested". They are very worried about the potential impacts of this, when no other country, in your own words, is looking at implementing this on agricultural products. I really wonder why this is a path we would want to go down, if no other country is following that tack.

I'll go to Ms. Govier.

We now know that the cost of administering the carbon tax alone is about \$82 million annually. It takes almost 500 bureaucrats to take on that task. I would say it's not the greatest return on your investment.

Has the Department of Finance done any similar analysis on what the cost of administering a carbon border adjustment would be for the Department of Finance, the CBSA or any of the other departments that would be tasked with administering this program?

Ms. Michèle Govier: We haven't done a detailed study to see what those would be. Our understanding and our belief is that it would be fairly heavy. It's not like applying a regular tariff, where by you simply say it's going to be 10%, or whatever the number is, and you apply it. There has to be an assessment of the embedded emissions in imported goods, as well as preparatory work on what the emissions are in your own country, to have that comparability.

We are aware that the EU's process was a three-year-long process involving the staffing of a group. The U.S. International Trade Commission is just doing a study to do some of this preliminary work on what emissions are embedded in goods. That is a fairly heavy process too.

I won't say it wouldn't be a somewhat heavy process, but it would depend, as well, on how you design the system.

Mr. John Barlow: I hope, then, that if you continue to go down this road or if the government asks you to follow this, that analysis will happen on the cost of the program and the benefits, if any, of this program for our Canadian agriculture sector specifically, as that's our domain.

Perhaps this is for Mr. Rosser, or whoever would be the person to answer this. You talked about the EU implementing this in 2026 in very specific industries, but not in agriculture. Have you consulted with the United States, which is our number one trade partner and often our number one competitor when it comes to agricultural products?

If you have done that consultation or had that discussion, what is the response to Canada's pre-emptively implementing a carbon border adjustment on agriculture?

Mr. Tom Rosser: I'll probably defer to my colleague, Kathleen. She and I both have regular discussions with our U.S. counterparts on a variety of issues related to trade and the environment.

I'm not aware of our having specifically discussed carbon border adjustments in the ag sector with them, simply because neither they nor we are in an advanced stage of considering such a measure.

Kathleen has probably had at least as many discussions with the U.S. as I have.

• (1610)

Ms. Kathleen Donohue: I am here as the vice-president of the international affairs branch at the Canadian Food Inspection Agency, but I do wear two hats. I report to both the deputy minister of Agriculture and Agri-Food Canada and the president of the Canadian Food Inspection Agency.

From an Agriculture Canada perspective, I would concur with Tom. We have not had any discussions with the U.S. on any type of CBAM program at this juncture.

Thank you.

The Chair: Thank you.

Just to clarify, on the way Mr. Barlow framed his question, it was the idea that the government was contemplating this. This committee is studying what's happening around the world. As the chair, just to clarify for the members, I didn't hear in any of the testimony that the government was contemplating one in Canada. We're talking about other jurisdictions.

Is that correct, Ms. Govier?

Ms. Michèle Govier: We are contemplating it happening, since 2020—a BCA—but not extending it at this stage to the agriculture sector. We were really just focusing on those high-emissions and trade-exposed sectors that I mentioned earlier in my remarks.

The Chair: Thank you very much.

Mr. Drouin, you have six minutes.

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

Thank you to the witnesses who are before us.

When we talk about the U.S., I know that Senator Cassidy, a Republican, and Senator Whitehouse, who's a Democrat, both have introduced a bill that would essentially impose a tariff on jurisdictions that don't have a price on pollution or measure carbon intensity on pollution. On the idea that the U.S. is not necessarily talking about it, definitely the folks who have the power to introduce a law are talking about it.

My goal here is not to predetermine what may happen tomorrow morning, but what may happen in five, 10 or 15 years. You've all testified that the EU and the U.K., by 2026-27, will impose a carbon adjustment tariff on fertilizer, which is an input that we all use—that farmers use in terms of growing food—but carbon also is an input in the steel industry, the aluminum industry and the cement industry. The world is looking at this. Carbon leakage is a major issue.

[*Translation*]

Here, we're talking about reciprocity clauses; in Europe, they're talking about mirror clauses. Farmers are putting a lot of pressure on the European Commission regarding mirror clauses. In fact, what is this about? We want the agricultural standards that apply in Europe to apply in the same way to importing countries, such as Canada. Canada exports agricultural products to Europe.

My first question is for the representative from the Department of Finance.

I know there have been consultations on carbon border adjustment mechanisms. Of course, in agriculture, they say that this is not the time to implement such mechanisms, because we don't yet know how to measure carbon emissions effectively. I know that's what was said in Europe. Are the international conversations going to be somewhat along the same lines, that is to say that, although the agricultural sector may want to get to that point some day, we have not yet found an effective way to do so?

Mr. Tom Rosser: I will answer the question first, if I may, and Ms. Govier may want to add something afterwards.

From an agricultural point of view, it is absolutely true that there are discussions at the international level. I am thinking in particular of the World Trade Organization, the Organisation for Economic Co-operation and Development and the UN meetings on agricultural issues at the interface between the environment and international trade. The border adjustments for carbon are one aspect of those discussions, but I think they deal with the subject more broadly.

It is true that the federal government is not about to propose agricultural policies. However, there are broader discussions going on internationally. As a government, we are committed to that. We often meet with representatives of Canadian agricultural associations who attend meetings of the World Trade Organization or meetings of the United Nations Conference on Climate Change.

Mr. Francis Drouin: We often hear that Canada is responsible for less than 2% of greenhouse gas emissions, so we wonder why, in this case, it would take action.

I'd like to know a little bit about what the international discussions are like. I have seen the figures, and it is true that Canada is responsible for less than 2% of greenhouse gas emissions. On the other hand, it is also true that, taken together, all countries that are responsible for less than 2% of greenhouse gas emissions are ultimately responsible for at least 40% of the total emissions in the world. That is why there needs to be a global effort.

What is the attitude of the countries responsible for less than 2% of greenhouse gas emissions, whether at the United Nations Conference on Climate Change or in other international organizations? Are they using that argument to say that they're not going to do anything, that they're going to sit back and wait for the U.S. and China to act? Is that the attitude of the international community at the United Nations Conference on Climate Change or in other international forums?

• (1615)

Mr. Tom Rosser: I can only speak about meetings I've been to recently, such as the agriculture ministers' meetings. When we go around the table, we always see that the impact of climate change on agriculture and the agri-food system is a priority issue for almost everyone. There is no distinction between small islands in the Caribbean and large agricultural producers and exporters. In other words, there is generally no distinction between small and large emitters. Everyone is interested in the impact of climate change on agri-food production.

Mr. Francis Drouin: My colleague mentioned the cost of implementing border adjustment mechanisms for carbon.

I know that European auditors are currently here in Canada to assess the supply chains of industries such as cement, steel and aluminum, for example.

Will the cost be borne by the Canadian government or by the states that want to implement such a tariff?

What are your interactions with these auditors?

Ms. Michèle Govier: We don't interact with them. Canadian exporters are the ones affected by these inspections. Our team at the Department of Finance deals with imports. There may be other people in government who are concerned about that.

In terms of the cost, it depends on how the system is designed. The cost could be borne by the government, or it could be passed on to exporters or importers. Different ways of doing things are possible.

[*English*]

The Chair: Thank you.

Mr. Francis Drouin: Colleagues, I have to apologize, but I have duties to talk about, too. They're not tariffs; they're daddy duties.

I'm going to remove myself, but my good colleague, Ken McDonald, will take over for me.

Thank you.

The Chair: Thank God we brought in some Atlantic expertise.

It's good to have the member from Avalon.

Welcome, Mr. McDonald.

[*Translation*]

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

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

Thank you to the witnesses for being here.

The brief update I gave at the beginning of the meeting was important. On behalf of my party, I agreed to have the committee study climate change requirements, but I wanted the committee to cast a broader net and explore the issue of standards that are required for food entering Canada.

Ms. Donohue, you talked a lot about that. You said that imported products must meet the same standards and offer the same levels of protection as Canadian products. However, that is not what local producers are telling us. They are telling us that products coming from outside the country are not subject to the same standards as Canadian products and that foreign producers often use inputs that are prohibited here.

How do you explain that? Who is telling the truth? Explain the nuances, if there are any, because they are important.

Ms. Kathleen Donohue: Thank you for the question, Mr. Perron.

[*English*]

In terms of the Canadian Food Inspection Agency, we expect that all imported and domestically produced food will meet the same regulatory and quality requirements. I understand and acknowledge what you are hearing. If there's a specific issue, we're certainly open to exploring that and understanding what that complaint is.

With respect to what we require, we expect that people importing or producing food under the oversight of the agency... They have to have a valid licence issued by the agency. They also have to be aware of the hazards associated with the food that they are either importing or producing. They have to have controls in place to address them. This is what we call a preventative control plan.

Lastly, we expect them to also keep records to ensure traceability, so that in the case of there being an issue, we have the ability to trace.

• (1620)

[*Translation*]

Mr. Yves Perron: However, with respect to products used for agricultural production, that is to say crop protection products, you do not have much control over what comes from outside, from what I understand. Is that correct?

Ms. Kathleen Donohue: No, the same regulatory requirements apply.

[*English*]

Again, imported food or food produced here in Canada has to meet the same regulatory requirements.

[Translation]

Mr. Yves Perron: Far be it from me to corner you, but I will take the example of ducks, which present a problem in terms of imports and genetics. You're certainly aware of that. France, which is not a Third World country, has given us guarantees regarding the genetics of a species that is not vaccinated, but its importation is still not authorized. I think that a trip is planned, but that jeopardizes next year's production. I imagine you are aware of that.

I can also tell you about ducks from Hungary or Poland. When you look at the package and you open it, you can see right away that the product doesn't meet Canadian standards because of feathers and a bunch of other factors.

Meanwhile, as you said earlier in your statement, you are focusing on local products. Don't get me wrong, I'm not asking that we be negligent. It's all right for the CFIA to be demanding. However, our local producers feel that we are picking on them, whereas products from outside are not treated the same way. They've been telling me this for over five years, so it shouldn't be a spontaneous impression that fades after a month.

I could also tell you about the carrots that were imported from China last year. In order to know what products were used to grow food, you must always have the co-operation of local authorities. In the case of China, I don't know how to say it, but it's not nirvana.

I'll let you speak to that.

Ms. Kathleen Donohue: Thank you again for your questions, Mr. Perron.

[English]

I could talk to you about duck from France and duck genetics, so it is true that we currently have a temporary suspension of imports of both poultry and poultry products from France, which is due to the highly pathogenic avian influenza vaccination program that France has. We currently do not permit the importation of poultry or poultry products from countries that vaccinate for this disease called HPAI, highly pathogenic avian influenza. We impose these restrictions on imports because we have to do our due diligence. We are working at the moment—

[Translation]

Mr. Yves Perron: I'm sorry to interrupt you, Ms. Donohue, but I only have 40 seconds left.

Our producers tell us that products coming into the country do not meet Canadian standards. How do you explain that?

There are inspectors who work almost full-time in some of our agri-food production plants. However, how often are foreign products inspected? How rigorous is that?

Ms. Kathleen Donohue: I can speak to the frequency of inspections.

[English]

We use a risk-based approach to our inspection. You mentioned earlier the issue with Hungarian duck imports, and I'm aware that last year we did receive a complaint through our complaints and appeals office at the agency. We looked into the matter, and we car-

ried out product inspection and preventative control inspection on importers of duck meat from Hungary. We did find an importer lacking in certain areas, and we have asked that importer to implement what we call corrective action.

[Translation]

The Chair: Thank you very much, Ms. Donohue and Mr. Perron.

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

[English]

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you.

Thank you for being here today.

I'd like to try to get some understanding personally about, first of all, the EU proposal or the CBAM that the EU is proposing to bring in in 2026.

I assume that Ms. Govier might be best for this. Where does Canada stand in terms of carbon pricing versus the EU? Are we on par with them, or are we going to take a hit because of this in terms of our exports to the EU? I want to see how things shape up.

● (1625)

Ms. Michèle Govier: I might defer to Judy on some of this, because I'm focused more on our BCA, the import measure. I do know some aspects of CBAM, but I'm not the expert. Colleagues at Global Affairs are tracking that more closely from that angle.

Obviously, we feel that we have quite robust carbon pricing and have been very actively engaging with the EU to ensure that that's recognized in their system. They are still in a reporting phase right now, so it's probably premature to say exactly what's going to happen. Right now, exporters are providing information so that there's an awareness about what the emissions profiles are, but I think we'll have to wait until there are measures in place to see how that's going to hit. I think conversations are very active, and I think it would be better for Global Affairs to give more details on the status of those.

Judy, I don't know if you have anything to add to that.

Ms. Judy Meltzer (Associate Assistant Deputy Minister, Environmental Protection Branch, Department of the Environment): Thanks, Michèle.

That's exactly right. We've been working very hard with Global Affairs as well, to make sure that our European Union colleagues have a good understanding of how the systems work in Canada, including across provincial, territorial and federal systems, but it's a bit premature. They're still in the reporting phase, so I don't have a specific answer.

Mr. Richard Cannings: I'm not sure if this is true throughout Europe or if it's just some of the countries, but it's my understanding that they are at a level that's considerably higher than ours in terms of carbon pricing per tonne of carbon. Is that not the case?

Ms. Judy Meltzer: Again, not wanting to get too far ahead given the status of the CBAM implementation, I would note that we need to take into account the different ways these emissions-intensive, trade-exposed industries are priced under Canadian output-based pricing systems, including our other industrial trading systems, like Quebec's. We need to look carefully to make sure they have a good understanding of all the provincial systems. These are systems that are under carbon markets, so these are under trading systems.

We'll continue to work closely to make sure they understand our systems well and understand the price per tonne as they move forward.

Mr. Richard Cannings: I have another question. We live in a world where there are a lot of trade agreements. We have a trade agreement with the European Union, and we have trade agreements like CUSMA with the United States and Mexico.

How do carbon border adjustments fit into that framework? Is it all "trade legal", as they say, or how would this be implemented in that world?

Ms. Michèle Govier: The World Trade Organization rules are probably the broadest framework that we're operating under. Obviously, introducing new border measures is of interest to WTO members. The key thing is ensuring that the measure is being undertaken strictly for an environmental purpose. It's not strictly about protecting our industries or what have you. It's really about ensuring that our carbon goals are met for our country while also avoiding carbon leakage, where those carbon emissions just go to other countries, which is not a good environmental outcome. It's also making sure that the adjustment actually matches what the domestic producers are facing.

Basic trade agreements have non-discrimination clauses and national treatment clauses, which means you're placing the foreign exporter on a level playing field with how you're treating your own domestic companies. Ours face a carbon price, so the carbon price you seek to impose on others should reflect that level playing field.

The devil will very much be in the details; there are probably going to be disputes arising because of that and whether countries have actually hit the right mark in terms of that balance.

Mr. Richard Cannings: The one sector that seems to be in this EU list that would affect our agriculture sector would be fertilizer. I'm just wondering if somebody on the panel could give us a précis of how exposed we are. I know we make some fertilizer here. We probably import some from the United States. I'd like an idea of where we would be exposed to this kind of measure.

• (1630)

Mr. Tom Rosser: Perhaps I can take a shot at that, just to say that we use the term "fertilizer", but my understanding is the EU is specifically targeting nitrogen fertilizer, of which we do not export significant volumes to the European Union in contrast to other types of fertilizer.

Mr. Richard Cannings: Do we import it?

Mr. Tom Rosser: We do import nitrogen fertilizer in the eastern part of the country. About 80% of the variable cost of producing it is natural gas, so it can come from North Africa; it can come from Trinidad, and it can come from various parts of the world.

I'm less certain what the trade flow is this way, but I would be surprised if we imported significant volumes from the European Union.

The Chair: Thank you, Mr. Cannings.

We'll now turn to Mr. Steinley for up to five minutes.

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

Mr. Rosser, I was listening to some of the answers you gave my colleague, Mr. Barlow, and you said there isn't really a comparable for how we're doing environmentally with that 10% of agricultural emissions to other areas of the world. We have a colleague coming up on the next panel from the Global Institute for Food Security, which did a study in 2022 that examined the carbon footprint and production of various crops, including canola, non-durum wheat, field peas, durum wheat and lentils. They compared that carbon footprint to countries including Australia, France, Germany, Italy and the United States, and the results demonstrated that Canadian producers, particularly in Saskatchewan and western Canada, are producing crops with the least amount of greenhouse gas emissions or carbon dioxide equivalents among the regions compared.

We do have actual data that shows we are already doing a very good job and shouldn't be trying to penalize our farmers further. Has the agriculture department taken that data into consideration when looking at implementing some of these different policies?

Mr. Tom Rosser: On that, there absolutely are people who have done comparative analysis on greenhouse gas intensity, including the upcoming witnesses.

What I meant by my earlier comment was that there is no single, definitive global source where people go, "Aha, these people have it." There are different sources, and, in general, those sources that exist show that Canada's performance is very favourable.

Again, different studies show different gradients of that. I'm aware of this one being published, and we absolutely take account of all available analysis in that area.

Mr. Warren Steinley: If there are different sources, would you share with this committee some of the other sources?

This is one of the most definitive studies I've seen when it comes to our comparables. It compared the supply chain, too, not just the field. It compared everything in the export, from field to fork.

If there are other studies that you are using at Ag, Environment or Health Canada, which makes most of our ag policy, could you share those studies with us?

Mr. Tom Rosser: Certainly, the Food and Agriculture Organization publishes some comparative data in this area. The OECD doesn't do so regularly, but I think they have at times in the past.

Certainly, we'd be happy to share with the committee those analyses that we are aware of in this area.

The Chair: We'll go now to Ms. Rood.

Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC): Thank you very much.

This is for Ms. Donohue or Ms. Soo.

I've heard from industry and from farmers that your agency lacks the necessary resources to work in a timely manner or even enforce currently existing regulations properly.

Do you have an idea of the additional burden that CBAMs would impose on the CFIA? Does the Department of Finance possibly know the costs associated with the additional support for the CFIA?

Ms. Kathleen Donohue: We don't, with regard to CBAM. We have not looked at that in relation to our work at the Canadian Food Inspection Agency, which is focused on food safety and animal and plant health.

In general, in terms of our resourcing, we take a risk-based approach to target our inspection and to verify compliance. In doing so, we look at the location, scope and frequency of our activities in relation to the type of product imported, and the associated risk to human health and to consumer protection. That really allows us to focus our resources in the area of greatest need and greatest risk.

Thank you.

• (1635)

Ms. Michèle Govier: I would just add, from a border carbon adjustment perspective, that to the extent that a border carbon adjustment is increasing the cost for companies that want to get into Canada, it would likely decrease the amount of imports that are coming in, so I would think the CFIA would not be affected in terms of needing more resources.

I think where we would see it is more on the administration side. For example, it could be ECCC expertise in terms of ensuring that we know what the embedded emissions are in goods, CBSA at the border, and the Department of Finance to some extent as well.

Ms. Lianne Rood: On that topic of the embedded emissions, the process can create administrative burdens for the exporting country. I'm just curious about whether the Department of Finance has an estimate on what those costs could be in Canada.

Ms. Michèle Govier: Is this with respect to complying with the EU CBAM, for example?

I don't have that. As I said, it's more colleagues at Global Affairs Canada who are tracking the CBAM and its implications for Canadian exporters, so it would be best directed there.

Ms. Lianne Rood: Thank you very much.

The Chair: We'll now turn to Ms. Taylor Roy for up to five minutes, please.

Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.): Thank you very much, Mr. Chair.

I just want to clarify, because in doing this study, we're trying to assess the impact of CBAMs being applied by the EU or the United States, where there is interesting discussion right now. In fact, I think the stat is that 73% of Americans think there should be border mechanisms put in place to protect their farmers.

Wouldn't these CBAMs that other countries put in place actually benefit countries that have strong environmental policies and whose farmers already have a good environmental track record?

Ms. Michèle Govier: I can speak briefly to that.

Generally, that should be the case. I know we have certain industries that are exporting to the EU in sectors that will be affected by the CBAM. They feel that they will benefit from having a green premium for being cleaner. To the extent that's the case, there could be those benefits, depending on how it's all designed.

Ms. Leah Taylor Roy: Any reduction, or if we move backwards on our environmental program, could have the effect of actually putting our farmers at a competitive disadvantage if, in fact, CBAMs were put in place by many of the countries that we export to, because we're such a large exporter.

Is that correct?

Ms. Michèle Govier: That's right. To the extent that it's based on what our pricing is in Canada or what our emissions performance is in Canada, then that could be the case if those deteriorate vis-à-vis other countries that are exporting to those markets.

Ms. Leah Taylor Roy: We've heard from my Conservative colleagues, and I agree, that our agricultural sector is actually relatively good when it comes to carbon emissions. It seems to me that we would have an advantage, not only in terms of our exports not getting the tariff, or as much of a tariff as imports from other countries such as the EU or the U.S., but also, having the environmental program or the price on pollution in place in Canada, because we would encourage new technologies and encourage Canadians to develop these things. There might be a bigger market for that if some of these other countries are now facing CBAMs from the EU or U.S. or other countries. Is that correct?

Ms. Michèle Govier: Part of the motivation for CBAMs is to increase the level of ambition, not just in the market where they're introduced but elsewhere as well, so that countries can have better access and perform better. I can't speak directly to how that implicates the agriculture sector, but in principle that's correct.

Mr. Tom Rosser: Just to add to that, we see many examples of this, outside of CBAMs and carbon border examples, where ideas that are put in place by trading partners that are good in theory can create non-tariff barriers and cause impediments to trade.

If the system were done or worked as it was intended to, I suspect that Canadian agricultural products would fare very well if and when trading partners imposed CBAMs or related measures on Canadian products. The difficulty is that it's a complicated thing to do. Either deliberately or not, the trading partners could undermine trade.

Ms. Leah Taylor Roy: It does appear that this is the way the world is going right now. We see the EU looking at the many sectors, and the U.S. clearly. There's been legislation introduced looking at these. Would Canada really have a choice, in that case? We would be subject to other countries' CBAMs at that point. We have a strong pollution pricing program here. Wouldn't we want, in terms of protecting our farmers, to also put in place those border adjustment mechanisms to avoid imports from countries that don't have the same environmental standards that we have?

• (1640)

Ms. Michèle Govier: I guess, just to clarify, the more important policy that is helping us in those markets is our carbon pricing. Whether or not we have a border carbon adjustment doesn't get us better access into the EU market. It's more about addressing the carbon leakage that could be arising in our market.

Ms. Leah Taylor Roy: Right, but to the extent that we import some goods in certain sectors, wouldn't that level the playing field a bit, so that countries that don't have carbon pricing mechanisms wouldn't have an advantage over our farmers?

Ms. Michèle Govier: Yes.

Ms. Leah Taylor Roy: Thank you very much.

I'll cede my last 30 seconds back to the chair.

The Chair: Thank you. I always appreciate that.

[*Translation*]

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

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

Ms. Donohue, you won't be surprised to see me speak to you again, because we hadn't finished our discussion.

You say that there was a ban in the case of Hungarian ducks, but the fact remains that this product managed to enter Canada. People in the industry had to realize the problem and denounce it. I'm not sure that a local product that had the same defects could have been put on the market.

Isn't there a problem somewhere?

Ms. Kathleen Donohue: Thank you for the question.

[*English*]

As I mentioned before, we take a comprehensive, risk-based management approach. We are a science-based organization. We conduct that science-based assessment of hazards, looking at three rubrics, if you will.

One is our regulatory framework. We have import control policies designed to comply with both international and national food safety standards. As I said, the imported product and the product produced in Canada have to meet those standards. The other element is our inspection and monitoring. We regularly inspect food imports. We use a risk-based approach to do that, to point to where we focus our resources. We also look to collaborate with—

[*Translation*]

Mr. Yves Perron: I fully understand what you're saying, Ms. Donohue. Thank you for your co-operation and for answering our questions. However, what I understand is that foreign products are not subject to as many inspections as local products. Perhaps we should correct the situation.

Earlier, I talked about carrots from China. How do you explain that the United States doesn't allow this product onto its territory, citing protection of soil quality and protection against disease, but that Canada allowed some onto its territory last year? What I usually hear is that Canadian standards are often higher than U.S. standards. So what is the reason for the situation, in the case of carrots from China?

Ms. Kathleen Donohue: I must admit that I am not aware of the specific situation of carrots from China.

What I can tell you is that our agency has the national chemical residue monitoring program.

[English]

We annually survey for compliance. It's testing food in specific categories: meat, dairy, eggs, honey, maple products and processed fruits and vegetables.

Did that meet your 40 seconds? I hope it did.

The Chair: You did very well, Ms. Donohue. Thank you.

[Translation]

Thank you very much, Mr. Perron.

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

[English]

Mr. Richard Cannings: Again, I'm going to continue trying to understand how the EU's CBAM is working right now.

I assume we're either in or entering into this reporting phase, where European importers in those sectors—I assume it's just for fertilizer, steel and cement—will have to report the carbon intensity of the materials. If they're importing Canadian aluminum, for instance, they're now trying to figure out what that carbon intensity is.

Canada's carbon tax, I assume, has something to do there. Am I right?

Ms. Michèle Govier: Again, I don't want to speak out of turn about the system.

During the reporting phase, I think, they are looking less at whether our carbon pricing is comparable to EU pricing, or whether a charge would apply. It's more about sorting through the reporting mechanisms to make sure the information provided is well substantiated and that the methodologies are all correct. It's to make sure they have a good stream of information coming in during this phase. That kind of assessment of carbon pricing becomes more relevant when the charge is actually in place.

• (1645)

Mr. Richard Cannings: Is this some kind of life cycle analysis? Sometimes it gets pretty complicated, calculating the carbon intensity of a product when there are several steps to it.

Ms. Michèle Govier: Yes. I think they go a bit beyond the product itself.

I'm looking to Judy to help me out if I'm getting this wrong, but I don't believe it's a full life cycle analysis.

Ms. Judy Meltzer: I will add that, again, we defer to Global Affairs on the CBAM specifics.

However, they're looking at an explicit price on carbon. This is what CBAM is taking into account. It's whether a country has an explicit price on carbon.

Mr. Richard Cannings: I think I'll leave it there.

The Chair: All right, Mr. Cannings.

We'll do our last round.

Mr. Barlow, it's over to you. You can do five minutes. Go ahead.

Mr. John Barlow: I don't know if I'll take that long, Chair, but I appreciate it.

I think this is a very important point to make, and Mr. Rosser and Ms. Govier kind of touched on it: Carbon border adjustments by the EU or the United States don't benefit Canadian producers, because we have a much better carbon footprint in agriculture that somehow gets us better access.

I'll give you a real-life example that I'm sure Mr. Rosser knows well. Harmony Beef in Alberta redid their entire kill floor to meet the EU standards for beef imports. The EU imports exactly zero pounds of Canadian beef, despite a meat processing plant in Alberta doing essentially everything they could to meet EU standards. I look at a CBAM as another non-tariff trade barrier that the EU or other jurisdictions will implement to protect, as Ms. Leah Taylor Roy said, their own producers.

Maybe, Ms. Donohue, you would know best.

When the EU implements CBAM in 2026-27, I understand it will not include agriculture. Is there a set standard, let's say, or an organization overseeing and administering that carbon border adjustment, which is very clearly defined? If another jurisdiction—Canada, for example—wants to import or export a product with the EU, do we know exactly what the game is and what standards we're asked to meet? In your experience, could this very well be another non-tariff trade barrier that will make it that much more cumbersome for Canadian producers to access those markets?

I know it's a big question, but I think it's very important that we understand exactly what we're getting ourselves into here.

Mr. Tom Rosser: Perhaps I'll take an initial attempt at answering, but other colleagues may have something to add.

Yes, it is absolutely the case that we are concerned, that even well-meaning environmental measures.... When it comes to carbon border adjustments in the agricultural world, we're still talking about hypotheticals, because nobody has proposed any. However, certainly the concern would be that even if it were very well designed, it could...like some of the non-tariff barriers that members cited in relation to the export of beef. We encounter that all the time, and there is certainly potential for carbon border adjustments that are climate measures to turn into non-tariff barriers. It's a risk that we will work to actively manage.

I think avoiding those types of things is one of the discussions that Canadian agricultural stakeholders are really passionate about discussing, not just domestically but also internationally.

I had another point, but it's escaping me, so in the interest of time, I'll leave it at that.

Mr. John Barlow: To your point, there is no standard in place right now. This could very well be another non-tariff trade barrier blocking our access to those markets, as Ms. Taylor Roy mentioned, to protect their producers. Is a carbon border adjustment mechanism WTO-compliant, or has the WTO done some work on ensuring that those countries that are implementing these types of policies are going to have very clear guardrails in terms of how to access those markets? Do you know that?

Ms. Michèle Govier: There are no existing WTO rules specifically addressing this type of measure, and the WTO role is different. They don't take the role of policing things. It's really up to members to express concerns over that. I believe there have been some concerns raised over the CBAM at the WTO by other countries. It is yet to be seen, I think, whether that evolves into a dispute where these things will really be tested. It's a bit premature, I guess, to comment on whether that's going to cause issues.

● (1650)

The Chair: Thank you, Mr. Barlow.

We'll turn it over to Mr. Louis for up to five minutes.

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

I want to thank the witnesses as well. I appreciate your being here, and I appreciate your ongoing work. I think you can help us as we're exploring the strategic advantages with the continuing shift towards sustainability in Canada's agriculture sector.

In recent years, Canada has seen a significant shift towards sustainability and carbon neutrality in its agriculture sector. Canadians are increasingly prioritizing these aspects, recognizing the importance of sustainable practices for long-term food security and for environmental health as well. We're feeling that momentum in the ag sector to drive change in collaboration with the technology, infrastructure, policy and finance.

One of the examples I know of locally is work being done at the Arrell Food Institute at the University of Guelph, developing a plan to enhance climate-smart agriculture. It aims to produce 26% more food by 2050 while reducing emissions, which means you can have more productivity, more sustainable farming and higher profits for farmers at the same time. I hope we can all agree and work together for those results.

I wanted to address the initial questions to Tom Rosser from the agriculture ministry and ask about the financial incentives, programs and support mechanisms that are already in place to encourage farmers and agribusinesses to adopt more sustainable practices.

Mr. Tom Rosser: I thank the member for the question. I think it is absolutely the case that strong sustainability performance, irrespective of border adjustment measures or what other countries may do, can be good economics for the ag sector, although there are cases where farmers need assistance to implement something

that will have long-term sustainability benefits. Although I won't describe them in detail, I suspect many of them will be known to the members of this committee.

We as a department have announced something like \$1.5 billion in programming in the agri-environmental space over the past several years to try to assist farmers in realizing those opportunities and to recognize that even things of long-term economic benefit as well as environmental benefit sometimes have an upfront cost that can present a barrier to farmers adopting them.

Mr. Tim Louis: That leads me to the question of the sustainable agriculture strategy and addressing those long-term benefits right now. Can we do that? Can we adopt sustainability, achieve carbon neutrality, protect the environment, help our economy and basically feed more people with fewer inputs?

Mr. Tom Rosser: I would note that a number of commodity groups in the ag sector have set net-zero targets for themselves for 2050 and are very anxious to partner. One element of the incentives to try to realize these opportunities is the development of an offset system, and perhaps Judy can speak briefly to that.

Ms. Judy Meltzer: Thanks, Tom.

Adding to the measures that Tom referenced, Canada's carbon offset system was launched in 2022 and basically offers an opportunity for reductions that are beyond the "business as usual" type of removal, for example, in the ag sector, which is a priority sector, to earn some revenue from voluntary initiatives that reduce or remove emissions.

Environment and Climate Change Canada is in the process of developing some different protocols for agricultural projects and trying to find crediting opportunities for reductions in methane from beef cattle, from manure management and from enhanced soil organic carbon. It's just one other way in which to try to pull forward and recognize the added value of those types of initiatives.

Mr. Tim Louis: Thank you for that. It can also build resilience to more extreme weather and conditions. That's something that can help, and I appreciate that.

Maybe I could switch over in the final minute to Ms. Govier.

Concerning that shift to sustainability in the agriculture sector, how can that enhance Canada's competitive advantage in the global market these days?

Ms. Michèle Govier: I'm not sure I'm the right person to answer that. I can speak to how it might impact if there's a market that has some kind of border measures in place. An EU-type border measure that has pricing in place certainly helps in terms of how our experts are recognized. If it's a different system that's based on more emissions intensity and not so much about pricing, there are potentially advantages there too, but it really depends on what's in place in those markets.

• (1655)

Mr. Tim Louis: The best time to start is now, and I thank you for your time.

Thank you, Chair.

The Chair: The chair is going to exercise the right to ask a couple of questions, even if I draw a bit of ire from my colleagues.

The entire concept of what we're talking about here can cut both ways. If Canadian agriculture is properly accounted for in its environmental stewardship, it can be a trade advantage, but only if it is recognized in the international market.

My question would be perhaps for Ms. Govier or for you, Ms. Meltzer.

Who is taking the lead within the Government of Canada to engage with our international partners? I take notice that agriculture is not yet being contemplated for border adjustment mechanisms in the jurisdictions we've talked about. I guess that could be a concern that Mr. Barlow's highlighted or a competitive advantage to Canada, depending on how it's implemented, and a net benefit really depends on how we engage and inform about the evidence that we have in this country on this. We know that there are farmers in other jurisdictions, like Europe, who are saying that they want those mirror clauses, so you could see how agriculture could come down the line.

Who is taking the lead? Is that a GAC lead, is that the Department of Finance or ECCC? How are we engaging? That would be my question.

Ms. Michèle Govier: I would say that it is more of a GAC lead, although we are in very close touch, both ECCC and us. If agriculture were implicated, obviously agriculture as well would be part of those conversations.

As I said, we have been implicated a bit more by learning from the EU and the approach they're taking to help with our thinking internally, but there's a lot of thought also being given to ensuring that other markets are aware of our situation and how our environmental performance should maintain our access.

I would say that there are discussions in international forums and with the U.S. on these issues, among many others that we've discussed with the U.S.

The Chair: I have two quick others.

In terms of clarity for this committee, was it stated that, as it relates to the European Union's CBAM proposal for 2026, it rests on the premise of a carbon price, or is there some mechanism on carbon intensity per unit of cement, fertilizer or whatever that may be? Is it just about having a price that will dictate tariff or no tariff?

Ms. Michèle Govier: I would look to Global Affairs colleagues to confirm that. My understanding is that there could potentially be scope for individual companies to argue that they have a very low footprint, so regardless of pricing they could have access, but things may have evolved since then on that front, so it's probably best for Global Affairs.

Mr. Tom Rosser: Maybe we can undertake to follow up with Global Affairs colleagues and get as definitive an answer as exists from them.

The Chair: The last piece is around the American position. Some of the members of this committee had the opportunity to be in Congress last spring. I was in Congress in July and tried to ascertain what the American position is, because although it was mentioned in testimony, there is not a federal carbon price in the United States. There are certainly a lot of taxpayers' dollars used through the Inflation Reduction Act, which is incentivizing. That has a true cost in the treasury sense.

Can you explain, Ms. Govier, any of the American position? From what I can ascertain from your testimony, you're responsible for any type of Canadian reciprocity that may come from other jurisdictions imposing this. What is the American view? Do you or maybe Mr. Rosser have any view on agriculture? It seemed to me that it was kind of, as opposed to a pricing approach, more of a club approach. Either you're doing something to be part of the environmental solution or you're not, and there would be a tariff wall or there wouldn't be.

Can you speak to anything that can give us a little more on the American perspective? That is crucially important with the nexus of our trading relationship.

Ms. Michèle Govier: I would agree that that's a critical relationship. Obviously, we want to make sure that trade flows well between our countries.

There have been different legislative proposals that have come out in the U.S. I won't get into the details, because I don't know them off the top of my head, but I will say that because the U.S. does not have federal carbon pricing, it would be looking at something very different from what the EU is looking at, which is a very price-based thing. It would probably be based on emissions intensities.

There could be this concept that cleaner countries are coming together for something, but there are different proposals out there. It's not totally clear yet exactly where things are going to land, including where the administration might want to go specifically on this.

The Chair: Thank you very much, colleagues, for the brief indulgence.

On your behalf, I will thank the witnesses for their testimony here today and their contribution through their various departments. Thank you so much to the witnesses.

Colleagues, don't go very far. I am going to suspend for just a couple of minutes. We're going to get Dr. Webb and our other witnesses from L'Association des producteurs maraîchers du Québec up.

We'll be back in two minutes. The meeting is suspended.

• (1700) _____ (Pause) _____

• (1700)

[*Translation*]

The Chair: I'd like to welcome our second panel today.

First, we have Mr. Steven Webb, who is the executive director of the Global Institute for Food Security.

We also have Ms. Catherine Lefebvre and Mr. Patrice Léger Bourgoin, from the Association des producteurs maraîchers du Québec.

Thank you very much for joining us again today. I also want to thank you for your work in the sector in general.

So I—

Mr. Yves Perron: I'm sorry to interrupt you, Mr. Chair, but can you tell me whether the sound tests were done for the witnesses who are taking part in the meeting by video conference?

The Chair: Yes, they were well done by our team, as is always the case. Rest assured, Mr. Perron.

Each organization will be given up to five minutes for an opening statement, after which we will have a round of questions.

[*English*]

We're going to start with Dr. Steven Webb. It's over to you. I suspect you're coming in from Saskatchewan today.

Dr. Steven Webb (Chief Executive Officer, Global Institute for Food Security): Good afternoon, Mr. Chair, and thank you for the invitation to be here today.

My name is Steve Webb. I'm the CEO of the Global Institute for Food Security, or GIFS, at the University of Saskatchewan. GIFS works with partners to discover, develop and deliver innovative solutions for the production of globally sustainable food.

Serving as agriculture's innovation catalyst, GIFS is connecting the agri-food ecosystem, advancing innovation and bridging the gap to commercialization to deliver resilient and sustainable food security for all stakeholders.

There's a gap between our investments in research and in delivering market-impacting innovation. We know this because both the Conference Board of Canada and the global innovation index highlight the gap between our innovation input, or investment, and our innovation output, or performance. This simply means we don't receive a commensurate value from what we invest. GIFS functions to help bridge the gap through solutions that accelerate innovation.

On today's topic, a border carbon adjustment is essentially a tax, or a fee, placed on imported goods from another country that may not have as stringent a carbon pricing system. The theory is that all goods in a country, whether domestic or imported, are subjected to the same carbon pricing system. The fee will be based on the carbon footprint amount regarding the production of a good.

The intent behind the border carbon adjustments is to level the playing field in international trade and incentivize the reduction of greenhouse gas emissions globally. However, there are a number of factors to consider with border carbon adjustments, so that they are not ultimately a barrier to Canadian trade and do not negatively impact productivity.

One important consideration is, how are we going to align on measurement, reporting and verification protocols that reflect the regional differences of agriculture when measuring carbon emissions in production? It's important to note that the border carbon adjustment has been designed around built industries, like electrical, aluminum and steel, cement and other defined controlled work processes. Agriculture is different. Given the natural environment where agriculture takes place, it varies not only from year to year but from location to location, making measurement, verification and reporting more challenging.

Canada's agriculture is in a position of strength. As mentioned in the last session, a study commissioned by GIFS demonstrates that major crops that we produce, particularly in western Canada, like canola, non-durum wheat, field peas, durum wheat and lentils, all have the lowest carbon intensity compared to other regions, especially when we include the impact of agronomic practices on soil carbon emissions.

However, we need to ensure that we're harmonizing measurement, reporting and verification standards for agriculture across the world. We're not there yet. This challenge needs to be addressed first.

Another consideration is competitiveness. Our agricultural exports could be subject to additional costs in other regions that deem our carbon regulation less stringent than theirs, increasing export costs and reducing our competitiveness on a global stage.

One other consideration is how this would impact trade agreements such as the Canada-U.S.-Mexico agreement. These adjustments could hamper these agreements or support them, based on how we and our partners align. The intent is to ensure a degree of fairness in trade, and this could be seen as an advantage for Canada.

The caution would be to understand the issue of fairness for exports, not only from Canada but also from low-income countries. How fair would it be to level the same fees on exports from low-income countries without enabling them to be as efficient and effective as Canadian producers?

Finally, while the adoption of a border carbon adjustment may lead to a levelling of the playing field in carbon pricing, this would potentially enable the creation of new revenue streams for Canadian producers by sequestering carbon and producing some of the least carbon-intensive crops in the world.

We need to understand the following. Foundational to the implementation for ag are global harmonization and support. Less than a quarter of the countries that have signed the Paris accord have implemented carbon pricing. Given the potential impact on international trade, organizations like the WTO need to align on a framework where border carbon adjustments are not seen as either a non-tariff trade barrier or an unfair government subsidy.

Agriculture is different, and we need time and investment to align on measurement, reporting and verification protocols to successfully implement a policy, understand the cost to implement and understand how the cost and potential revenues can be shared.

In closing, the one thing I think about when discussing this topic is that if you can measure it, you can improve on it, and innovation is key.

Thank you, Mr. Chair, for the opportunity to comment on this topic. I welcome questions from the committee.

• (1705)

The Chair: Thank you very much, Dr. Webb.

[*Translation*]

We will now go to our friends from the Association des producteurs maraîchers du Québec.

Ms. Lefebvre, you have the floor.

Ms. Catherine Lefebvre (President, Association des producteurs maraîchers du Québec): Mr. Chair, members of the committee, thank you very much for the invitation.

All issues related to the reciprocity of standards continue to be at the heart of our concerns. The globalization of markets has picked up since supply chains recovered from the pandemic. More than ever, Quebec vegetable producers are competing with their counterparts in the United States, but also with those in Latin America, Europe and even Asia.

In this context, the transition to a low-carbon economy raises many questions. Given the importance of international trade, differences in carbon pricing can be problematic. We must avoid having these differences lead to an increased imbalance in the competitiveness of vegetable producers.

The issue of border adjustments for carbon is complex. It should not be taken lightly. There has to be a symmetry of standards so that Canadian producers don't have to pay regulatory fees. In other words, local vegetable producers must achieve parity with imported produce. It is also imperative that serious consideration be given, in collaboration with the provinces and in light of international developments, particularly in Europe, to the opportunities and threats associated with the creation of a Canadian carbon border adjustment system.

Our various analyses show that production costs are already higher in Quebec than among our main competitors because of strong provincial and federal regulations. This situation is putting pressure on the profit margins of our farms, which is becoming increasingly unbearable, to the point of jeopardizing the survival of our sector. We must not exacerbate this already problematic situation.

With regard to the quality of local products, Canada has safety and traceability rules to ensure that they are safe for human health. In addition, the use of crop protection products is highly regulated. In our view, regulatory authorities must be unyielding. All imported fruits and vegetables must meet the same requirements as those applied here in Canada. No compromise can be acceptable. That is not the case right now.

• (1710)

Mr. Patrice Léger Bourgoïn (General Manager, Association des producteurs maraîchers du Québec): Take, for example, the famous carrots from China. In this case, production conditions remain largely unknown. Are the crop protection products used allowed on Canadian soil? Do they pose a danger to human consumption or to the environment? In our opinion, these questions should concern you. The explanations we were given earlier today didn't convince me.

Chinese carrots don't end up on the shelves of American supermarkets. China, along with 180 other countries and territories, is not authorized to export carrots to the United States. The criteria used are soil control and protection against the spread of diseases that can travel across the border through root vegetables.

Canada is moving aggressively and quickly to close its territory to Chinese electric automobiles. Yet it refuses to apply the same treatment to Chinese vegetables, while its American neighbour does. We have to ask ourselves whether this is a two-tier approach. To ask the question is to answer it.

The presence of Chinese carrots in Canada while local stocks are still available is putting downward pressure on Canadian carrot prices, since wholesalers and retailers use them as substitutes to increase their bargaining power with local producers.

So in answer to your earlier question, Ms. Taylor Roy, I can assure you that the good environmental and social practices of Canadian producers have no impact when it comes to selling products to wholesalers and retailers, where the sale price at the farm is proof of everything.

When it comes to mirror clauses—we talked about that earlier—regarding the reciprocity of standards, production methods are practically not regulated in international agreements. The requirements for how products are grown are generally not imposed on imported products. This is becoming increasingly problematic.

This is just one example from earlier this year, in 2024. The Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, supported by several other Canadian provinces, submitted an application for the registration of a product that substitutes another commonly used product, but that the manufacturer had decided to stop marketing. In the application for registration, the Quebec department argued that the application was necessary for the production of beets in the absence of effective options at a reasonable cost. In support of the request, it was estimated that the financial losses associated with the refusal of registration would be \$15 million per year, or half the value of the Quebec crop. The Pest Management Regulatory Agency has refused to register this product, which is widely used by our American competitors. Under those circumstances, how can you compete on a level playing field with our neighbours just south of the border?

In closing, the vegetable industry is under tremendous pressure on its ability to compete. This pressure is caused by a demanding regulatory environment without a reciprocity of standards to force competitors to meet equally high standards.

Thank you for listening.

The Chair: Thank you very much, Mr. Léger Bourgoïn and Ms. Lefebvre.

[English]

Colleagues, we'll now turn it over to questions. I am going to try to get two rounds in. We owe it to our witnesses.

I'm going to start with you, Mr. Barlow, for six minutes.

• (1715)

Mr. John Barlow: Thank you very much, Mr. Chair.

Thank you to our witnesses for being here today and providing your insights.

My questions are for Mr. Webb.

First off, thank you very much for the work GIFS did on some of the analysis of Canadian agriculture and our carbon footprint compared to other parts of the world. I think those results are staggering in terms of showing the global standard that we've set in Canada compared to other jurisdictions.

I think the position for leadership and government in Canada should be to be encouraging the rest of the world to get to where Canada already is when it comes to fertilizer use, efficiency, precision agriculture and all those things. We have an incredible story to tell, and your work is certainly helping us to do that.

In regard to your testimony, you said that agriculture is different from the “built industries”, as you put it, which are going to be under the jurisdiction of a new CBAM in the EU and perhaps in other jurisdictions. My questions for you are going to be similar to those I had for our department heads.

My concern with a CBAM is that although there may be the best of intentions—we've all heard the analogy of how the road to hell is paved with the best of intentions—this could be another example of a non-tariff trade barrier, where there's going to be that protectionism in other jurisdictions. In your opinion, what are the potential detriments to this if there is not a very clear standard or regulation outlined in terms of what other jurisdictions would be asked to meet to access those markets?

I know that agriculture is not included in the EU plan that is coming out in 2026-27, but if that were to be expanded to include agricultural products, how critical is it, first, that there's a very clear set of regulations or set of criteria and, second, that those jurisdictions make science-based decisions so that if we do meet those criteria we access that market?

Dr. Steven Webb: First of all, as one of the other witnesses said, the devil is in the details. In the case of agriculture, and even pointing to GIFS' own study, we ran a carbon life-cycle analysis from end to end in terms of the impact it had. We followed the accepted international rules, and one of the things that does not measure is the impact of agronomic practices on the contribution the soil has on the carbon footprint.

When you follow the “accepted practices”, it misrepresents Canada's footprint. It actually also misrepresents the United States' and Australia's footprints relative to France and Germany. When you look at agronomic practices and consider the impact on soil carbon sequestration, you see that Canada pulls further ahead of everybody else, and the Americans and the Australians actually outperform their European peers.

Now, we did that to make a juxtaposition with what the standard international rule is, which is based around stick-built industries, or built industries, versus agriculture. I think it points to the need to have an international agreement on what are we measuring and how are we counting it.

Our study also pointed out...because remember, we looked not only at Canada relative to our trading peers, but also at various regional breakdowns of Canada, of western Canada and Saskatchewan. Again, this reflects the differences of agronomic practices in the region. We can't have a one-size-fits-all on how we measure. We need to have a one-size-fits-all on the criteria we're measuring but to optimize the measurements and the models that would go into a carbon footprint analysis for a good under a border carbon adjustment process that reflects the performance in the region. Again, I think it really gets complicated.

I will be honest. It worries me a bit about the added cost on producers and on the entire value chain to implement such a process unless there are additional benefits, which would be increased trade opportunities and more export opportunities for Canada. That, I think, is the biggest challenge.

The other challenge is that I don't know if the international organizations that would have to implement it are prepared to deal with this, because it could be very much perceived.... Remember that in the context of the Paris accords only about a quarter of the countries have actually implemented a carbon price. Again, if you can't get agreement at that level on a carbon price, other countries might perceive—

• (1720)

Mr. John Barlow: I have only about 30 seconds left. I do want to ask one more quick question.

Dr. Steven Webb: I'm sorry.

Mr. John Barlow: That's okay. I appreciate your insight.

That is my concern. If we meet this international standard, and I think of Canadian cattle and durum wheat.... The EU has a standard, but then every country implements its own little niche issues that block Canadian products. In your opinion, is it possible to have an international standard that everyone would adhere to, and how difficult would that process be in terms of how you measure emissions or the carbon footprint of agriculture?

Dr. Steven Webb: We're not there yet, on an international agreement, and I think it's an opportunity for Canada to lead the way, because, again, one of the things people talk about is this idea of a sustainable ag system, and we have it already in Canada. We have a very good sustainable ag system based on the principles of regenerative ag at scale. I think this is an opportunity for us to lead the way.

The Chair: Thank you, Mr. Barlow.

Thank you, Dr. Webb.

I'll turn it over to Ms. Murray for up to six minutes.

Hon. Joyce Murray (Vancouver Quadra, Lib.): Thanks, and thank you to the witnesses for being here.

I loved that last comment, that this is an opportunity for Canada to "lead the way", just as we have done through the Powering Past Coal Alliance and through working to assist other countries in reducing their emissions from the coal industry. We've heard a number of comments on worries about added costs and worries about the costs to farmers, and about benefits, if any, from a border carbon adjustment. What I'm hearing is that it's complex. There are a

number of departments working together to identify those complexities. There are organizations such as GIFS feeding in.

Are there other things that the witnesses are recommending, so that this inevitable process is as complete and fair as possible for Canadian farmers?

The Chair: I'll start with you, Dr. Webb, and then we'll go to the Association des producteurs maraîchers for a comment, if you have one.

Dr. Steven Webb: From a Canadian perspective, as I mentioned, we already lead the way. We've implemented technologies that were pioneered here in western Canada, in Saskatchewan, like no till, minimum till, herbicide-tolerant canola and rotation.

The problem is that when you consider how we look at measurements, there are arbitrary dates, like the Paris accord in 2015. How are we, from a Canadian perspective, going to recognize the contribution that farmers have already made?

For example, one of the farmers on our grower advisory panel has been practising no till for 40 years. On their farming operation, which is 29,000 acres in Saskatchewan, they've increased the soil carbon from 3% to 6%. I don't think that individual is going to get any recognition for the amount of carbon they've sequestered. Again, I think that's part of the conversation that we need to have about how to ensure that we don't discourage the ongoing sustainable practices that are in place here in Canada while other countries catch up to us.

Hon. Joyce Murray: Are there other comments?

[Translation]

Mr. Patrice Léger Bourgoïn: I would say two things.

First, in terms of leadership, let's first look at Europe. The European Union is trying to harmonize practices within its free-trade agreements for goods. Here, in North America, almost every province in Canada has its own system. As for the United States, as was explained earlier, the federal government has not provided general rules. States are left to establish their own practices. So there is a need to harmonize our practices, given the volumes that flow back and forth across the border.

Second, in terms of leadership, let's take the example of the Americans. The U.S. government is determined to give farmers the means to achieve their ambitions. We have seen the flurry of support measures in the Inflation Reduction Act. Here in Canada, farmers are still waiting to hear what provincial and federal authorities will do to support farmers' climate transition.

• (1725)

[English]

Hon. Joyce Murray: To go back to my broader question, my understanding is that it's not about if there are going to be border carbon adjustments, including in very important segments like agriculture, but it's about how to do it.

This question is for Mr. Webb and our other witnesses. Of the current players that are feeding into this and the number of departments that are involved, do we have the players at the table to make sure we have harmonization and recognition of the work already done? Without having that as a reason not to continue to innovate and do more work, what players are not yet at the table that should be?

Dr. Steven Webb: I'll jump in here.

One of the things I see happening is more from the leadership in industry. You see organizations like CANZA, which includes the University of Guelph, the University of Saskatchewan and farmers, as well as Maple Leaf, Nutrien and the Royal Bank, for example, working through how to develop the MRV—the measurement, reporting and verification processes—to enable this.

GIFS is involved with a project that started with an MOU between Bayer and the Government of Saskatchewan, along with the University of Saskatchewan, to look at how to actually implement that ability to measure and report. This goes beyond the voluntary. If you're going to be trading carbon, how do you really line it up and lean it in? Those are ongoing activities. I don't know how well industry is engaged in this conversation. I think it's an “all hands on deck” situation. There are vehicles for this within Canada. We have a unique position with the national index on agri-food performance, which has over 150 members in coalition, from all sectors of agriculture.

Again, leaning into the power of the whole value chain would be really important in order for us to be effective.

The Chair: Thank you very much.

[Translation]

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

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

My thanks to the witnesses for being here with us.

I will address the representatives of the Association des producteurs maraîchers du Québec.

Earlier, you referred to financial assistance, support and predictability. What is your overall impression of risk management?

Ms. Catherine Lefebvre: Risk management programs are no longer adequate at all. In Quebec, in particular, the past three years have been difficult. In 2022, we were the victims of aphids and diseases in squash. In 2023, there were torrential rains. In 2024, it was the same thing. We realize that nothing is working anymore in risk management programs. There is no support to continue farming.

If other regulatory requirements are imposed, some producers will no longer be able to carry on.

Mr. Yves Perron: Despite the goodwill shown earlier, it seems that products coming into Canada from abroad are not necessarily subject to the same requirements or the same rigorous inspections as Canadian products. Where does that put your producers?

Ms. Catherine Lefebvre: Let's take the example of products that require inspection before they can enter the United States. This is the case for potatoes and onions, for example. According to the last figures we were given, products imported into Canada are inspected once every 500 times.

Mr. Patrice Léger Bourgoin: I would add a very concrete example that is only a few months old. In the middle of winter, 50 Canadians ended up in hospital after eating cantaloupes from Mexico. Five of them never came out of the hospital. In this case, one might ask how the risk management programs worked.

I have another question. A lot of resources are spent on risk management during the summer for field vegetables in Canada, particularly in Ontario and Quebec. As far as I know, there is no field vegetable production in the middle of January in Canada. At that point, are all those resources made available to control foreign products coming into the country, or are we taking advantage of the opportunity to reduce work hours, on the pretext that they are not Canadian products? I would like an answer to that question.

• (1730)

Mr. Yves Perron: Do you have an answer? Did you make a comment on the ground?

Mr. Patrice Léger Bourgoin: I wanted to be skeptical, so I'll withhold my answer.

Mr. Yves Perron: Okay.

In my exchange with Ms. Donohue earlier, I mentioned the example of the famous carrots from China. You talked about that as well. We could also talk about lettuce from Mexico, for example.

You are dealing with the situation on a daily basis, when you have to compete with people who do not play by the same rules as you do. That is basically what you are telling us. We are talking about crop protection products used and the quality of food, but there is also the whole issue of working conditions, which we haven't even talked about.

What's missing? What would you recommend we do better?

Ms. Catherine Lefebvre: There has to be a level playing field for everyone. Right now, carbon standards vary from country to country, and even from province to province.

In Quebec, we have Agrilimat, a project in which researchers are setting the foundation for measuring carbon consumption or the effects of carbon on our agricultural environments in the province. However, we realize that the more we reduce the carbon footprint, that is, greenhouse gases, the more we have to increase the use of pesticides. Is that really what we want, to use more pesticides to reduce the carbon footprint? In the vegetable sector, the carbon footprint is mainly attributable to the use of machinery. If we have to reduce the use of machinery, whether we like it or not, we have to increase the use of pesticides. We have no other option.

In this equation, we have to ask ourselves some questions. If we don't have the same crop protection products as other countries, are we really able to reduce greenhouse gases?

Mr. Patrice Léger Bourgoïn: I would also like to share with you an e-mail I received from a producer just a few days ago. In three short lines, he says that key California companies are currently engaging in unfair competition by directly offering retailers an ultra-competitive offer for organic broccoli and cauliflower. This producer says that, as early as next week, two banner stores will be offering promotions for these basic products purchased at prices that don't even cover production costs in Quebec. Their only option will be to sell at a loss.

This is one example. Every month, I get five to six such cases.

Mr. Yves Perron: What choice does that leave us? If nothing is done, you will eventually disappear. Producers are going to start doing something else. If we impose customs tariffs or try to control that, we will increase costs.

This is not an easy issue to resolve. What do you propose?

Ms. Catherine Lefebvre: There has to be a level playing field. If a standard is applied here, the equivalent must be found elsewhere. That is the game we are playing right now. In Canada, particularly in Quebec, we always have higher standards than others.

Earlier, you talked about manpower, for example. Here, we have minimum wages and mandatory housing conditions. Regulations from many sources are imposed on producers, but the same is not required for imported products. That's where it doesn't work for us at all.

Mr. Patrice Léger Bourgoïn: I would like to add that if the code of conduct for grocery retailers fulfills its promises, the fees that retailers will have reduced will definitely benefit consumers.

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

Thank you very much, Mr. Perron, Ms. Lefebvre and Mr. Léger Bourgoïn.

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

[English]

Mr. Richard Cannings: Thanks to everyone for being here today.

I'm going to start with Dr. Webb. Thank you for your presentation. It was quite illuminating.

I'm trying to figure out how far we are from a carbon border adjustment for agriculture in the world. We hear the EU is bringing in a CBAM, which will be for specific sectors, at least initially. How-

ever, all the witnesses we've heard from pointed out how complex it would be to calculate the impact of this on agriculture, or how complex it would be to calculate these adjustments for agriculture.

First of all, have you heard any real talk in your circles that this is on its way? Ms. Murray suggested that we're on that path. Is that what you feel we're doing?

• (1735)

Dr. Steven Webb: First, I don't have a crystal ball, so I can't tell you exactly when it's going to come. However, when we think about opportunities and trends from a Canadian perspective.... Again, we have a wonderful track record on the sustainable production of food. We also have an opportunity to look at the potential to reward farmers with new value streams when they're able to sequester carbon. Projects we are directly involved with and other activities taking place—like CANZA, as I mentioned—are all working towards developing protocols that can enable this type of procedure.

The issue is that Canada is doing it, but I do not know where the rest of the world is. Again, to Mr. Barlow's question, where I talked too long in the answer, the point is getting us to an international harmonization. I think that's absolutely key. It's one of the things that are essential. We need to make investments. Canada is not ready to implement this, because we need to make sure we fairly represent our good story at the farm gate.

Mr. Richard Cannings: Yes. What strikes me is that it sounds like we have, overall, a very good track record in sustainability, from a Canadian perspective. However, that sustainability—I think you mentioned some examples—varies from farm to farm and from ranch to ranch, and in the practices of farmers, in where they are in Canada, in where they are in the climate, and in the soil system. You know, there are so many variables. We want to reward the people doing good things and not hinder them. If we came in with a standard average score for Canada, there wouldn't be any benefit for farmers to exceed it and do better, as some are doing now.

I'm wondering if you have any ideas on how we could put that into a measurement scheme for an initiative like this.

Dr. Steven Webb: One thing that I think is important to comment on is how the success Canadian farmers have today is driven by their entrepreneurial and innovation mindset, and by the adoption of technologies. "Does it make sense from a business perspective?" The development of no-till was initially around, "How do I do moisture management and reduce soil erosion to protect my most important investment?" You see the widespread adoption of that technology. At the time it was done, I don't think anybody imagined it was also going to be a big component of capturing carbon.

Again, I think the Canadian system hasn't needed these incentives to get to where we are today. We need to have incentives to develop the reporting structure in order to get into these new markets. We need to have incentives to move to the next level in order to make Canada even better. Again, it's not good enough to stay where we are. We have the opportunity to go even further.

Mr. Richard Cannings: You know, it seems there are so many steps here. We have to figure out the measurement protocols. Then we need to have agreements with the countries we're exporting and importing with. Will this necessitate further side letters, bilateral agreements or broad agreements on how we do this with something like the EU? It seems as if it's going to take something like that, where we get down into the nitty-gritty details, as you say. I'm not an expert in this.

How does that roll forward? Do you have any thoughts on that?

Dr. Steven Webb: They've started with the built industries that have defined work processes, and I think that's a good place to start. We need to embrace differences in agriculture.

• (1740)

The Chair: Thank you very much.

[*Translation*]

Mr. Lehoux now has the floor for five minutes.

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

My thanks to the witnesses for being here with us.

Ms. Lefebvre and Mr. Léger Bourgoïn, during our meetings, you often talked about the PMRA, the Pest Management Regulatory Agency. I'm going to refrain from saying certain things about that agency, but you talked about its slowness in approving crop protection products that are used in many other countries and that could be used in Canada. Here, we're dragging our feet.

In your opinion, is this a lack of willpower? Why is the government unable to provide the PMRA with the resources it needs to properly respond to requests? After all, producers are being asked to produce very high-quality products.

First, there is the issue of the border, which we will come back to later. When it comes to the regulation and acceptance of products that are used in other countries, where do you think the problem lies?

Ms. Catherine Lefebvre: Of course, much of the problem stems from administrative red tape and the lack of reciprocity in standards. Those are two important parts of the answer to your question. PMRA's requirements are very different from those in U.S. regulations.

In the spring, for example, the PMRA asked us to consider adding environmental options for new registrations. In the United States, there is no need to do all this; in Canada, we want to add it.

The red tape surrounding the registration of crop protection products is certainly a major obstacle.

Mr. Patrice Léger Bourgoïn: In the case of the beet example I gave earlier, where the product in question was ultimately rejected

by the PMRA, the initial registration was requested in 2012 and the refusal came in 2024.

Mr. Richard Lehoux: Of course, this is a major problem in terms of the reciprocity of standards.

I was surprised by the comments you made earlier. There's a lot of pressure on producers here during the summer, and the resources for that are plentiful. However, there isn't much production in Canada in January, as you said. At that point, where are all those resources deployed? That's the question you were asking. Do we have the same control over products coming into Canada during the winter, when we don't need to do the same for Canadian farmers' products?

Mr. Patrice Léger Bourgoïn: That's why I think the whole issue of risk management, which was mentioned earlier, needs to be explored further. Risk management protocols have barely been touched on. However, I would like to know what risks are being put forward and what we want to control through risk management programs for products designed by Canadian farmers compared to risk management practices in countries where regulations are much less stringent than in Canada.

In Canada, since we already have strict regulations, I assume that risk management should be a little less stringent than for a product imported from a country that is known to have much broader standards regarding the environment, public health and crop protection products.

Mr. Richard Lehoux: Earlier, representatives from the Canadian Food Inspection Agency seemed to want to reassure us about what is happening at the border. This is not the first time I have heard reassuring comments from that agency, but I am not convinced that standards at the border are being met as adequately.

We talked about carrots from China earlier. Do you have examples of products from the United States, Mexico or South America that show that the situation is problematic?

Ms. Catherine Lefebvre: Each holiday season, romaine lettuce from California is often recalled due to E. coli or other diseases that can be transmitted to humans.

We have standards for all those things here. We have to do water testing a number of times a year to ensure safety and so on. There are also standards governing what happens elsewhere. Salmonella or E. coli contamination problems are very rare in Canada. However, the standards are there.

Mr. Richard Lehoux: What you are telling us is very relevant.

What recommendations would you make to the committee? I would like you to give us one or two that we could include in our study report.

• (1745)

Ms. Catherine Lefebvre: First, there should be the same number of inspections for the vegetables we import as for those we export. Basically, all vegetables produced in Quebec and exported by Canada must be inspected by the Canadian Food Inspection Agency.

Second, when it comes to carbon pricing and the reciprocity of standards, applying the same principles is crucial, so that everyone can be on a level playing field.

Mr. Richard Lehoux: Thank you.

The Chair: Thank you, Mr. Lehoux.

[English]

We'll now go to Mr. MacDonald for up to five minutes, please.

Mr. Heath MacDonald (Malpeque, Lib.): Mr. Webb, I want to go back to you. I actually enjoyed your testimony. I agree with almost everything you're saying. I certainly believe we are moving toward cross-border tariffs, and eventually it will likely get to agriculture. There are a lot of bridges to cross prior to that.

I think that what you've talked about relative to crop rotation, precision farming, rotational grazing, nutrient management and other things our farmers are doing puts us in a very good position, and I think farmers should be rewarded for that.

It brings me back to my thoughts about carbon credits and how they are being measured or will be measured for farmers, because I think that's an opportunity as well. The opportunity, I think, lies in some of our imports and aligning ourselves with the U.S. Before Congress now are four bills, basically, that are skirting the issue of carbon credits. A couple of them are actually measuring inputs. They're also being applied by the Democrats and the Republicans, and they obviously don't agree on much.

Here is my question back to you. This may be repetitive, but I think it's worth it. How do we bring industry and government together to ensure that we're doing everything we can for...if it's not 2025 or 2026, the U.K., the EU and the U.S. are now moving in that direction. Also, we all know that if the U.S. starts seeing an advantage to their industries and sectors.... I think Ms. Taylor Roy talked about 73% of the Americans who were surveyed wanting cross-border tariffs. It also becomes a geopolitical issue if it gets to that point.

I'm wondering how we bring everybody together to ensure that we're doing everything we can for our farmers.

Dr. Steven Webb: One of the things I wonder about—and maybe even the testimony today is an example of it—is that there doesn't seem to be a clear Canadian strategy on ag. You have it spread across ECCC, Agriculture and Agri-Food Canada and Global Affairs Canada. You have agencies involved.

Again, as I said in my comments, this is a leadership opportunity for Canada, and it contributes a great deal to the gross domestic product. We need to grow our real GDP. I think it's an opportunity for us, and that's where, from an outsider's perspective, I think that is what's lacking.

It seems to be that if we're getting in trade where we're talking about agriculture, we need a national strategy on ag. We need to be able to execute against a national strategy on ag. That national strategy needs to be a framework that is regionally specific, because, again, what is right in Quebec and Ontario will not be right for western Canada or British Columbia and vice versa. It's not bad that there are differences. We need to embrace the differences, because we can compete and win.

Mr. Heath MacDonald: There's a national regional difference, but my thoughts go directly to the U.S., our biggest trading partner, in saying that we have to align ourselves with them to ensure that everything we do is going to be measured or adjusted relevant to what they're doing. If you take it one step further, I get it. I come from Prince Edward Island, so we may do things quite differently from in Western Canada, although I think things are relatively similar in some regards.

Dr. Steven Webb: One of the things that I think are really important is that we align ourselves with jurisdictions that embrace science-based, transparent and regulatory frameworks. It goes back to Mr. Barlow's question, and as long as we have transparency and we know what the rules of the game are, this creates an opportunity for Canada. Where it's not transparent and not science-based, I think it's a very dangerous situation for us.

Again, I think the U.S. has a framework that is more aligned with Canada than with the European Union.

• (1750)

Mr. Heath MacDonald: I'm fine, Mr. Chair. Thank you.

[Translation]

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

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

I will go back to what was discussed with Mr. Lehoux.

With respect to risk management, you are asking that inspections be conducted as frequently and as rigorously for imported products as for yours, and that the same requirements apply. I understood you correctly. So it will be quite simple to draft recommendations on that.

In terms of the PMRA and the registration of products, we could talk about a lot of things, but I have the example of linuron that comes to mind. At one point, our producers could not use it, but we imported carrots from the United States whose cultivation was made possible thanks to this product.

Is this nonsense and inconsistency caused by the fact that different agencies regulate this? How do you see that?

Is it possible to establish international co-operation, to share expertise, to ensure better fluidity without reducing our quality standards?

Ms. Catherine Lefebvre: There is just one thing I would like to bring to your attention. What also limits the number of crop protection products available in Canada are our labels. The labels are so onerous that manufacturers of crop protection products don't want to put them on the market in Canada. They decide to continue producing them for the United States and other countries, but they refuse to produce them for Canada. That's what happened in the case of Betamix, which is used for beets, for example.

So, yes, international co-operation would be the ideal solution. However, is that possible? I don't think so, because some countries, such as China and Mexico, have very different requirements than we do in terms of the equipment they use to apply crop protection products. So the labels can't be the same.

Mr. Yves Perron: I was thinking more of a collaboration between Canada, the United States and Europe. When there are products to be registered, we could even share the task of doing the tests. If countries recognized each other's competence in this area, we could be more effective.

Ms. Catherine Lefebvre: Again, competition for the reciprocity of standards is international. If we do not have the same products as Mexico because it is not part of our agreement, we will still be the most affected in all of this.

Mr. Patrice Léger Bourgoin: You were talking about linuron earlier, and that's a good example. Let's not forget that we were calling on the PMRA to authorize linuron and that we were in a race against time because, essentially, without approval from Canadian authorities, the manufacturer was saying, with good reason, that he could sell his products on the U.S. market. So it was one minute to midday and we didn't have the quantities we would have needed.

Furthermore, I would say that there is some form of protectionism. We chose to stop manufacturing this type of product in Canada. So we become terribly dependent on other countries.

The Chair: Thank you very much.

We'll conclude with you, Mr. Cannings. The floor is yours for two and a half minutes.

Mr. Richard Cannings: Thank you.

[*English*]

I'm just going to finish off with Mr. Webb.

I'm trying to figure out the role of some of the broader world agencies around this, like the WTO. If we move to a system in which we have carbon border adjustments in agriculture, how will that be regulated?

Will it be more bilateral trading agreements? Will it be something under the umbrella of the WTO that could set this up?

There are certain sections of the WTO that seem kind of dysfunctional right now because of how the United States is playing into it.

I'm just wondering if you could comment on the higher-level issues.

Dr. Steven Webb: It's evident that the director of the WTO actually embraces the idea of these border carbon adjustments, but it's the membership of the WTO that has to get on board with this.

Again, it comes down to how we get everybody on the same page. The comment about harmonization and alignment is so critical.

I think the WTO is going to have a role. The lady on the last panel, whose name I can't remember, talked about the devil being in the details.

The risk of these border adjustments being seen as a non-tariff trade barrier or as an unfair government subsidy is very real. Before implementing a policy, I think that knowing how you're going to adjudicate it is absolutely essential. It requires those international trade organizations to be on board.

It's a bit of a dog's breakfast.

• (1755)

Mr. Richard Cannings: Thank you.

The Chair: Dr. Webb, I have just one final question.

I think what I'm hearing today is.... The elephant in the room has been around carbon pricing in agriculture. It's largely non-existent on farm fuels. Bill C-234 is before the House. I chide my Conservative colleagues sometimes about when it might be called.

I think the broader question, whether or not carbon pricing applies, is if there would be some other form of, let's say, contribution from the industry. If we believe there's work to be done—and I take the point you've made about the fact that farmers have done this by adopting technologies and that they've been focused on innovation—there may come a time when there is a trade-off between the economy and the environmental outcome. How do we actually go about finding that balance?

I take your point about a Canadian ag strategy and regional pieces; that's all fine. However, we're talking about Canada's position in the world in terms of how we reconcile both Canada's existing, perhaps, competitive advantage on sustainability and the idea that we want to continue working industry-wide—not just in agriculture—on reducing emissions with not wanting to undermine competitiveness in a world where we are trading globally.

If you held the pen, how would you construe it?

I'm not hearing about CBAM. Is it maybe a club approach, where you would align with other countries that are clearly asking their agriculture industry to do something, whether it be on pricing or on other types of initiatives, such as massive government subsidies to try to help industry, that have an impact on the taxpayer's purse?

How would you draw it, if you had the pen, in about one minute?

Dr. Steven Webb: Thank you for the job, Mr. Chair.

Again, from a Canadian perspective, one of the things I think we need is a unified voice on agriculture. We don't have an ambassador for agriculture. We have lots of people around who talk, but we don't have a unified voice or a common voice to champion this. I think that is something we could really use.

On the standpoint of how we do the implementation, it has to give us bang for our buck. What's the rate of return on the investment? I don't believe we've got to where we are in Canada because it didn't make economic sense. It makes economic, environmental and social sense with everything the farmers have already done. We need to be myopically focused on those economic, environmental and social returns and not see them as a trade-off for one another. I think that's where the whole mindset shift has to take place.

New tools and new innovation are absolutely key. We've heard from the other witnesses today about the lack of access to tools and

technologies. That's a pity. I know that needs to happen, and Canada needs to be at the forefront of that.

The Chair: I think we would agree on that. The question is how we both reward it and don't have it undermined. We'll continue this discussion.

Thank you to all of our witnesses. On behalf of the members, Madame Lefebvre, Monsieur Bourgoin and Dr. Webb, thank you for your testimony.

Thank you, members, for hanging in. I know we had a delayed vote. We will see you bright and early on Thursday morning, at 8:15.

The meeting is adjourned.

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