



## Fruit and Vegetable Growers of Canada – Key Issues re: Bill C-234

June 1, 2023

### INTRODUCTION

- “The transition must begin quickly.” Yes, together we are working to meet the 2030 and 2050 targets. Research, innovation, adoption, private on-farm investments, and available public infrastructure all play an important role in the timelines for on-farm energy and production system transition.

### BILL C-234 AMENDMENTS ARE CRITICAL TO CANADIAN AGRICULTURE SUSTAINABILITY

- In Bill C-234, the proposed amendment to the definition of *eligible farming machinery* is particularly critical. In our northern climate, Canadian farmers rely on heating and cooling using a range of fuel sources and across production types including greenhouses, other fruits and vegetables, livestock barns, and machinery such as grain dryers.
- Canadian fruit and vegetable growers, rely on heating and cooling to grow their crops and ensure that the harvested perishable products retain quality (immediately post-harvest, and during storage, handling, packaging, shipping), to meet market requirements, and to help reduce food loss and waste at the start of the value chain.
- Bill C-234 does not erode the price signal of carbon pricing. Canadian farmers, ranchers and greenhouse operators continue to pay rising carbon costs: critically, some of these are directly tied to farm production where there is a lack of viable energy alternative (e.g., drying grain, heating and cooling barns and greenhouses, irrigation, and feed preparation). Many other indirect carbon costs are also passed along the supply-chain (e.g., farm inputs, packaging).
  - Greenhouse growers in particular pay significantly and rising carbon taxes.
- It is imperative that the government of Canada make intentional policy and funding choices that equate the federal priorities for Canadian food security and economic growth with tangible support of sustainable agricultural production, strong growth of export markets, and the long-term viability of Canadian-owned farms.

### CARBON PRICING INCENTIVIZES BEHAVIOUR CHANGES: WHY FARMERS MAY NOT RESPOND THE SAME AS CONSUMERS

- The price signal works where users can transition to feasible energy alternatives. Whereas a farmer can heat their home with an electric furnace and buy an electric vehicle, the opportunity and/or investment required to transition their farm equipment is not necessarily feasible because of the available technology, the current public infrastructure (e.g., natural gas lines), and/or the lack of a feasible business case (e.g., ROI on capital expenditures).
- Bill C-234 amendments to the Greenhouse Gas Pollution Pricing Act (GGPPA) addresses its current shortcomings by ensuring the exemptions are applied to modern farming activities, machinery and fuels commonly used in Canadian agriculture by our farmers, ranchers, and greenhouse growers.



- Currently, carbon pricing exemptions are not applied in exactly the same manner across various eligible activities, machinery, and/or fuels:
  - Farmers receive carbon pricing exemptions on certain and specified activities and machinery (e.g., tractors) on only two of the key agricultural fuels: gas and diesel.
  - Greenhouse operators in backstop provinces receive 80% relief from their carbon costs related to their natural gas and propane use to supply their crops with both heat and the carbon-dioxide needed for their indoor plants to breath and grow year-round.
  - Additional rebates provided specifically for grain growers grain dryers (heating) which are powered by natural gas/propane.
- Greenhouses require a consistent, cost-effective, sustainable, and on-site source of heat, carbon dioxide for photosynthesis, and electricity for lights to supply their indoor crops with the optimal, climate-controlled growing conditions.
  - In warmer months and during peak production/harvest it is the plant's requirement for carbon dioxide that drives natural gas use, whereas heat can be stored for later use.
- Farmers have been reducing their carbon footprint for decades, without any carbon pricing incentives. They care about the environment and will continue to implement best management practices and invest in innovations on their farms, whenever possible.
- Rather than having the intended effect of changing behavior, reducing emissions, and decarbonizing, the millions of dollars collected by the federal government from our Canadian farmers is a stick without a carrot approach. We need to see carbon pricing proceeds returned for re-investment on-farm to drive new technology, research, and innovation for opportunities towards real on-farm climate action.
- In the fall of 2022 FVGC conducted a survey among our growers to understand what barriers they were facing to adopting clean agricultural practices- 67% of respondents said they had to delay plans to implement smart agriculture practices because they had to reallocate resources. For many growers, making those changes simply isn't possible. Horticulture is one of the most resource intensive sectors, (e.g., inputs, labour, etc.). Therefore, implementation costs and the potential for initial yield loss during the transition process represent a significant barrier, especially since current inflation conditions have vastly increased the number of farms operating on razor-thin margins.

#### **QUEBEC SUPPORTS BILL C-234 AS A FOOD-FIRST FEDERAL POLICY**

- The Quebec provincial carbon pricing is based primarily on a cap-and-trade system for greenhouse gas emissions. As it meets the [federal benchmark](#), Quebec does not fall under the jurisdiction of the Greenhouse Gas Pollution Pricing Act. Notably, the federal government [published strengthened standards](#) in August 2021 for the 2023 to 2030 period.
  - It is important to keep in mind that both Ontario and Alberta's provincial carbon pricing systems have shifted their systems from provincial to federal due to provincial elections.
- The use of natural gas is limited due to a lack of current infrastructure availability outside of urban centres. Fuel oil (mazout) was the primary fuel source used in 2010-2015 however,



biomass, natural gas, propane use is increasing. Across Canada many growers using natural gas boilers for their carbon dioxide and heat needs, supplement with heat from biomass.

- With the Quebec Greenhouse Growth Strategy 2020-2025, the Quebec government, in partnership with the greenhouse sector, wishes to double the areas of fruits and vegetables grown in greenhouses. In November 2020, Quebec Agriculture Minister André Lamontagne, along with then Energy and Natural Resources Minister Jonatan Julien, announced more than \$100 million to double the size of Quebec's greenhouse operations by 2025 — totalling 250 hectares. This goal was coupled with a program to expand the electrical network adapted to rural areas<sup>1</sup>.
  - The vast number of greenhouse growers in Quebec are small to medium sized operations.
  - Energy costs related to greenhouse production remain an extremely important factor to consider in order to achieve food security.
  - In addition to funding for greenhouse expansion, all Quebec producers have access to up to 40 per cent in reimbursements from the government on certain electricity expenses.
- Bill C-234 carbon pricing exemptions allow Canadian farms the opportunity to survive. Bill C-234 is the simplest and most effective approach to help leave money in farmers' pockets so that they can continue contribute to Canada's GHG emissions targets and other environmental commitments. It is critical that in the next eight years, the Government of Canada also make intentional policy and funding decisions to prioritize and support sustainable agricultural production so our farms can truly thrive and grow, as the Quebec government has done with its support and funding of research, lower energy costs, support for new construction, and investment in critical infrastructure.

#### FEDERAL CARBON PRICING PROCEEDS NEED TO RESPOND TO GROWERS' NEEDS

- The government has been signalling its intention of returning proceeds from the price on pollution directly to farmers in provinces that are subject to the federal carbon price. **Since the passage of Bill C-8, our members have reported that proceeds are not yet directed back and not proportional to the payments made by our growers.**
- Agriculture and Agri-Food Canada launched the agricultural clean technology program in 2021, which provides \$50 million to help farmers purchase more efficient grain dryers and replace hydrocarbons. The program also focuses on research and innovation, particularly in the areas of green energy and energy efficiency. **Despite the effectiveness of this program, our members report their eligibility is limited and available funds are simply a drop in the bucket.**
- Policy support for the establishment of efficient, on-farm energy assets, such as cogeneration, could also provide key benefits to improving the supply and demand resiliency in regions with constrained electrical capacity or future demand that threatens to outstrip forecasted supply.

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<sup>1</sup> <https://www.cbc.ca/news/canada/montreal/quebec-self-sufficient-fruits-and-vegetables-1.6703057>



- For the greenhouse sector to transition away from carbon-based fuels, it will require research, disruptive technology, game-changing innovations, public infrastructure investment and significant on-farm support and investment.
- Within the vision for a decarbonized economy, the government of Canada has an important opportunity and responsibility to ensure greenhouse growers have truly feasible energy, technology, and infrastructure options to supply their fruit and vegetable crops with the heat, electricity and carbon dioxide needed to grow year-round and feed Canadians and consumers around the world.

### **CHANGING CLIMATE MEANS CANADA NEEDS TO STEP UP FOOD PRODUCTION**

- Providing greenhouses with a 100% exemption on the cost of carbon-based fuels through the proposed bill is essential for sustaining Canada's horticulture industry, particularly the greenhouse sector. It supports the country's food security by ensuring a healthy and strong greenhouse sector capable of producing crops that cannot be field grown in Canada, as well as maintaining variety during winter months. Moreover, it positions Canada to fill potential gaps in global agricultural production resulting from climate change's impact on traditional agricultural regions.
- Canada's ability to sustain and expand its greenhouse sector will not only benefit the domestic food supply but also provide an opportunity for increased exportation of agricultural products. This can contribute to the country's economic growth and strengthen its position in the global market.
- As climate change progresses, certain regions that are currently major agricultural producers, such as California, may face challenges in maintaining their productivity. This presents an opportunity for Canada, as the demand for agricultural products from northern countries is likely to increase. By supporting the greenhouse sector through the bill, Canada can position itself to fill the potential gap in agricultural production that may arise as climate change impacts other regions.

### **ADDITIONAL POINTS FOR CONSIDERATION**

- **Cost Burden:** Carbon tax poses a significant cost burden on industries that are energy-intensive and trade-exposed (EITE). These industries could become less competitive compared to firms in countries where carbon pricing is less stringent.
- **Carbon Leakage:** Without a global, uniform carbon tax, there's risk of carbon leakage where businesses move to countries with lax environmental regulations.