



Commentary on the draft legislative proposals relating to the *Greenhouse Gas Pollution Pricing Act*

The Agricultural Producers Association of Saskatchewan (APAS) appreciates this opportunity to comment on the draft legislative proposals relating to the *Greenhouse Gas Pollution Pricing Act*.

As Saskatchewan's general farm organization, we serve as the voice of thousands of farmers and ranchers, who manage over 40% of the cultivated farmland and 35% of total pasture land in Canada. The careful management and stewardship of these lands positions Saskatchewan producers as a strategic asset in the effort to address climate change. Saskatchewan producers also generate 30% of Canada's agricultural exports, worth over 15 billion dollars annually. Our activities support tens of thousands of jobs all across Canada.

We believe that if Canada is to meet its target to increase agricultural exports while meeting its commitment to reduce GHG emissions by 2030, Federal policy must recognize both the economic impact of carbon pricing, and the essential services provided by managing carbon on the agricultural landscape.

APAS maintains our opposition to the imposition of carbon pricing policy on Saskatchewan agricultural producers.

Cost & Competitiveness

The fundamental premise of carbon pricing is that it serves as a market pricing signal to reduce consumption of fossil fuels. Agricultural producers do not set the prices for their products, and have no ability to pass along increased input costs. In this instance, carbon pricing fails to function as a price signal in the value chain, and becomes an additional cost burden on a sector that already operates on narrow margins. Producers already seek out every viable opportunity to reduce costs, because they cannot pass them along.

The proposed exemption for farm fuels partially recognizes this issue, but this exemption does not cover a whole range of unavoidable costs that will increase with carbon pricing. These include natural gas for drying grain and heating barns, truck and rail transportation, fertilizer, and electricity, to name a just a few key inputs. These are unavoidable input costs with very few alternatives.

Saskatchewan producers sell mainly to export markets, and we are located far from export position. Many of our competitors face no carbon tax. Imposition of carbon tax on essential inputs reduces our operating margins, and makes us uncompetitive in the world market.



In June 2017, APAS participated in the consultation on the *Technical Paper: Federal carbon pricing backstop*. We raised concerns with the direct and indirect cost impacts of carbon pricing on agricultural supply chains, and requested that the federal government conduct and release a detailed cost estimate for the sector. We also requested that the review of carbon pricing for trade exposed industries scheduled for 2020 be conducted prior to the implementation of the carbon pricing backstop.

We strongly urge the federal government to work with the sector and conduct these cost and competitive estimates prior to proceeding further with draft legislation. Saskatchewan agriculture accounts for approximately 30% of the total value of Canada's agriculture and agri-food exports. As we noted in our previous submission, the imposition of carbon pricing will exacerbate existing transportation and other cost disadvantages. We do not feel that the current approach to federal carbon pricing has adequately considered and addressed the long-term impacts on the sector's international competitiveness.

Additionally, the federal government has not conducted a detailed cost analysis estimating the financial impact the proposed carbon pricing will have on the agricultural sector. The proposed levy schedule will result in a range of direct and indirect costs on primary agricultural production with producers bearing most of these costs through increased prices on their inputs as well as through price reductions for agricultural products. The previous technical paper made the commitment to reviewing the impact of carbon pricing on trade-exposed industries by 2020 which needs to be conducted **prior** to developing the federal policy on carbon pricing.

Defining Farmers for the Purpose of Exemptions

The draft definitions for a farmer and the practice of farming for the purpose of exemption are too prescriptive and do not accurately consider both the wide variety of producers and operations within the sector, nor the financial volatility of the industry.

In some years, producers do not make any money from agricultural activities. For that reason, many producer families rely on outside employment to supplement farm income. Solely defining a farmer by their income from agriculture fails to take into account the risks and volatility that can come with farming and ranching.

Transportation Policy and Freight Exemptions

APAS has several concerns with the proposed treatment of rail carriers under the draft legislation. Although an exemption on qualifying rail fuels is proposed for interjurisdictional carriers, we note that surcharges would apply to fuels purchased by shortline railways. Not only do we strongly recommend that shortline rail carriers be provided equivalent treatment under federal carbon pricing policies, we also request that the federal government conduct a review to ensure that federal transportation policies and legislation supports rail as a preferred and viable transportation alternative.

Rail transportation is a superior mode of transportation from a public cost and environmental perspective. Federal transportation policy has permitted the closure of thousands of kilometres of rail track in Saskatchewan and of public trackside loading sites. However, in some instances, this



infrastructure has been purchased to be operated as a shortline railway. A fuel surcharge for short line railways puts the viability of these businesses at risk.

The closure of shortline railways, public rail loading sites, and the further abandonment of rail track in Saskatchewan will continue the transfer of agricultural good shipments from rail to the public roads, thereby increasing emissions and road maintenance costs. It also will increase costs to agricultural producers who will pay higher carbon surcharges to truck their grain longer distances to market. Effective federal climate change policy needs to address this situation.

APAS agrees that the exemption of rail carriers from a carbon price on qualifying rail fuels is important to reduce indirect costs to agriculture in the form of higher transportation fees for producer products. The most carbon efficient way to transport agricultural goods is still on rail, and greater efforts should be made to avoid disincentives to the use of all rail carriers.

Lack of a National Offset System

The Global Climate Action Agenda asserts that an annual increase in sequestration in agricultural soils of 4 parts per thousand would halt the annual global increase in CO₂ in the atmosphere. This is an opportunity to address climate change that must not be ignored, or undervalued. The recognition and development of agricultural carbon sinks will be essential if Canada is to achieve our Paris Accord obligations.

Agricultural producers are currently major players in carbon sequestration. Saskatchewan crop producers currently sequester an additional 8.5 megatonnes of carbon through improved management practices every year, and prairie pastures sequester over 2 billion tonnes. The value of current agricultural sequestration must be recognized by decision makers.

The lack of a national system of carbon offsets will hinder the development of this opportunity. It also puts additional administrative burden on backstop jurisdictions to develop their own systems and in turn overlooks agriculture as a potential resource to help address climate change.

Federal leadership on the development of national offset policies is required to make the most of agriculture's full potential to mitigate and offset greenhouse gases. We hope the federal government will move forward with the creation of a robust Canadian offset system that will recognize the contributions agricultural producers are making and provide further opportunities for emissions reductions.

Conclusion

APAS welcomes the opportunity to address the draft legislative proposals relating to the *Greenhouse Gas Pollution Pricing Act*. We respectfully request that the federal government reconsider both the punitive financial impacts on producers and the enormous potential that we have as producers to help meet our carbon targets.

For more information about this submission, please contact the APAS Policy Department. Email policy@apas.ca / Phone: 306-789-7774 ext. 2.