Agriculture Carbon Alliance

FAQ

1) Why is Bill C-234 needed?

Due to the disconnect between carbon surcharges paid and the existing rebate, coupled with the lack of viable alternatives for many critical on-farm climate change mitigation practices (e.g. drying grain, irrigation, feed preparation, heating and cooling barns, greenhouses and other agricultural growing structures), a targeted and time-limited carbon pricing exemption for specified on-farm fuel uses is the right approach moving forward to ensure producers have the capital needed to invest in on-farm efficiencies and sustainability improvements.

2) Aren't farmers already receiving rebates for carbon pricing? Would C-234 lead to double dipping?

Yes, farmers are receiving rebates. While Bill C-234 does present the potential for an overlap with the existing rebate offered in backstop provinces, the government has the capacity to resolve this concern after receiving royal assent through a simple policy directive to CRA to not process rebates where an exemption exists.

3) Why an exemption over a rebate?

Unfortunately, the current rebates are based purely on eligible farming expenses and do not cover all carbon surcharges that farmers pay. In reality, farmers pay much more in taxes than they get back in refunds. We believe that the right approach is to proceed with a targeted and time-limited carbon pricing exemption for specified on-farm fuel. This in turn will allow farmers to keep more working capital to invest back in the efficiency and sustainability of their operations. Investments in these technologies can cost hundreds of thousands of dollars and, when no alternative exists, carbon surcharges pull capital away from these critical investments that would augment the sector's potential to further reduce emissions.

4) Are these exemptions permanent?

Bill C-234 includes a sunset clause that would expire after eight years from the date of royal assent, allowing the government of the day to determine if there are viable alternatives in place other than natural gas and propane for food production.

5) Are on-farm exemptions new?

No, when the *Greenhouse Gas Pollution Pricing Act* was first introduced it recognized that farmers, growers and ranchers had no viable alternatives on farm other than gasoline and diesel. As such an exemption was put in place to remove carbon pricing for these fuels.

Bill C-234 seeks to tidy up those exemptions by also including natural gas and propane, for which there are also no viable alternatives.

6) Did Bill C-234 receive multi-party support in the House of Commons?

Yes, Bill C-234 received multi-party support in the House of Commons, with unanimous support from the Green Party, NDP, Bloc and Conservatives. Some Liberal MPs voted in favour of the bill as well, including the Chair of the House of Commons Standing Committee on Agriculture and Agri-Food.

7) Are any further amendments needed?

ACA members are urging Senators to swiftly pass Bill C-234 into law without amendments. The bill is fit for purpose, and further amendments in the Senate would delay the passage of this important legislation, allowing for the potential to die on the Order Paper, as similar bills have done in the last Parliament. The exemption Bill C-234 provides is long past due for farmers, ranchers and growers.

8) Hasn't this bill been in Parliament before?

Two bills in the last Parliament sought to seek natural gas and propane exemptions under the *Greenhouse Gas Pollution Pricing Act* for farming activities: Private Members' Bill C-206 (sponsored by MP Phillip Lawrence), and S-215 (ret. Senator Dianne Griffin). Both bills did not reach royal assent before the 2021 federal election. C-234 is a marriage of the best of both C-206 and S-215, with additional enhancements, to ensure eligible farming machinery is inclusive of all farming practices that require natural gas or propane, such as drying grain, irrigation, feed preparation, heating and cooling barns, greenhouses and other agricultural growing structures.

9) **Why should we be exempting farmers from carbon pricing if agriculture is among the sectors with the highest levels of emissions?**

Farmers have always been stewards of the environment, their livelihoods depend on it. Unfortunately, currently there are no viable options other than using natural gas and propane for necessary farming practices, such as irrigation, grain drying, feed preparation, heating or cooling of barns and other agricultural growing structures. To make enhancements that support both food production and reduction in emissions, farmers need to continue to invest in their operations. With increasing input costs, coupled with a rising price on carbon, less money is available to make these investments. With the passage of Bill C-234, farmers will have access to more working capital to invest in the sustainability and productivity of their operations.

10) **Will this erode the carbon price signal?**

No, we understand the ethos behind carbon pricing as a tool to reduce emissions by encouraging behavior changes. However, in primary agricultural production the price on carbon simply adds to costs, with farm fuel already one of the most significant. There is already a strong incentive in place to reduce fuel use wherever possible, which is reflected in Canadian agriculture's unparalleled productivity improvements over the past half century. Farmers have no choice but to dry their grain when harvested wet to ensure there isn't food spoilage and to properly heat or cool their livestock barns to ensure animal welfare.

11) **Why are further exemptions for farmers needed?**

Only on-farm use of gasoline and diesel is currently exempted, yet farmers continue to pay thousands, if not tens of thousands of dollars in carbon pricing every year on necessary farming practices that utilize natural gas or propane. Bill C-234 addresses this shortcoming, ensuring there is a holistic approach to on-farm exemptions being applied to carbon pricing.

12) **Which provinces will this bill apply to?**

Bill C-234 will exempt farmers in the backstop provinces and territories where the federal fuel charge currently applies: Ontario, Manitoba, Yukon, Alberta, Saskatchewan, Nunavut, Nova Scotia, Prince Edward Island, Newfoundland and Labrador, and New Brunswick. Our hope is that this exemption, as a best practice to support agricultural efficiencies and sustainability, will then be reflected in provincial plans to align with the federal framework.

13) **Since farmers are price takers, and therefore cannot pass down costs, wouldn't it be a better approach to provide income support to farmers, rather than give them an exemption from carbon pricing?**

Canadian farmers take pride in what they do – growing food for Canadians, supporting local communities and contributing to our economy. They are entrepreneurs and many farms have been successfully producing food for decades. Farmers, ranchers and growers have a proven record of implementing best management practices, growing more food using the same amount of land and decreasing their environmental footprint on their own. At this moment, there are no viable options for farmers other than to use natural gas and propane in their operations. Bill C-234 is the simplest and most effective approach to help leave money in farmers' pockets so that they can continue to thrive and contribute to Canada's economy.

14) **Should the government be able to reduce the 8 year exemption if some viable options emerge withing the next couple of years?**

No, a wholesale change in technology and the necessary infrastructure to support new alternatives will take time. 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. The bill needs to be passed and provide much needed relief to farmers as soon as possible. If alternative energy sources become viable, the government can decide if an amendment is required at that time.