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# Standing Committee on Agriculture and Agri-Food

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Chair: Mr. Kody Blois





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• (1540)

[English]

**The Vice-Chair (Mr. John Barlow (Foothills, CPC)):** I call the meeting to order.

Thanks very much, colleagues.

We have Mr. Lobb with us this afternoon, and we will be going over Bill C-234. Most people know the instructions for how committee works, so I won't go into them too much. I just have a few reminders.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2001. The proceedings will be made available through the House of Commons website. Please be aware that the webcast will always show the person speaking, rather than the entirety of the committee. Taking screenshots or photos of your screen is not permitted. For members participating in person, keep in mind the Board of Internal Economy's guidelines for mask use and health protocols.

I don't think I need to go through all of the steps for Mr. Lobb. I know he is quite well aware of them, and we want to make sure that we use the best of his time today.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, May 30, 2022, the committee is commencing its study of Bill C-234.

I would now like to welcome our witness for the first panel, Mr. Lobb, member of Parliament for Huron—Bruce. I know everyone is very familiar with our colleague.

Mr. Lobb, you'll have five minutes for your opening remarks, and then we'll proceed with the rounds of questions. I'll try to give you a signal when you have one minute left. Please proceed with your five-minute introduction.

**Mr. Ben Lobb (Huron—Bruce, CPC):** Thanks, Mr. Chair.

I do have some prepared comments. Normally I would wing it, but seeing how it's five minutes and I didn't want to go over the time and miss a point, I made some prepared comments today.

Good afternoon. Bill C-234 is a bill that amends the Greenhouse Gas Pollution Pricing Act. Bill C-234 is a bill that will help farmers by eliminating the carbon tax for the purposes of growing food, and cutting the carbon tax on propane and natural gas used to heat barns and to dry corn, beans, grains—i.e., food.

Agriculture provides many benefits to society. Firstly, it provides food to our nation and other nations that are unable to.... Secondly,

agriculture is the number one economic driver in Ontario and one of the top economic drivers in our country. It provides a rural way of life, passed down through generations, and provides jobs throughout the value chain—in processing, trucking and shipping, to name just a few.

Agriculture also provides numerous benefits to our environment. Firstly, crops, grasslands and woodlands are natural carbon sequestrators. Farmers practise ethical crop rotation, plant fall cover crops and are concerned about the quality and overall health of their soil. Farmers are involved with on-farm environmental plans, which also have manure management plans built into them. Nothing is wasted on your farm. From the tools passed down through generations, to lumber, scrap steel behind the shed, or even a corn kernel that didn't find its way to the bin, there's always a way. Farmer are environmentalists, recyclers and stewards of the land.

A friend of mine, who has a sizable hog farm in the region, sent me a heating bill for the period of November 30 to December 31, 2021. His bill from Enbridge was as follows: customer charge, delivery, vendor admin fee, transportation to Enbridge and gas supply charge, for one month, \$8,473, before the carbon tax. The carbon tax was an astonishing \$2,918, and one penny, in memory of Jim Flaherty. Now, if you factor in what that is on the original \$8,400 bill, that's astonishing, and also factor in the HST charged on top of the carbon tax.

Some may say, "Well, Ben, we have that covered now with the carbon rebate that was delivered in Bill C-8 in the fall economic update as relief for farmers." Well, in my opinion, and in the opinion of many, the carbon rebate falls short, maybe almost 100% short—88%, likely. For the last year, it was \$1.47 per \$1,000, and in this economic year, it's \$1.73 per \$1,000. On \$10,000 of eligible expenses, your rebate is \$14.70.

Now, remember that heating bill I told you about of the hog farmer in Huron County? It was \$8,473.60, and his carbon tax bill was \$2,918. It's not really fair: \$12.50. Where I'm from, that's about four king cans, which is not much.

With Bill C-8, this carbon program once again asks the farmer to be the government's line of credit. The farmer is currently the government's line of credit for business risk management programs like AgriStability, as well as HST and your rebate. Now we're asking farmers to once again be the government's line of credit for the carbon tax rebate. With rising inputs—seed, fertilizer—the farmer's line of credit is maxed out, folks.

To summarize, farmers are price-takers, they are not price-makers. They do not make the market. They are within the whims of the weather. The market is in Chicago; the crops in the Midwest, Brazil and other places; and there are trade deals, whether they work effectively or they are not enforced; rail lines; ports that may or may not be functioning properly; the lack of container capacity in this country; and geopolitical tensions that we've seen in Europe this year, all have an impact.

● (1545)

In this committee, you have the opportunity to help a neighbour, maybe a hard-working rural family you've never met before. You can help a farmer.

Thank you.

**The Vice-Chair (Mr. John Barlow):** Thank you very much, Mr. Lobb. I appreciate you being right on time—perfectly done.

Now we'll go to the Conservatives for six minutes.

Mr. Epp, your time starts now.

**Mr. Dave Epp (Chatham-Kent—Leamington, CPC):** Thank you, Mr. Chair.

Thank you, Mr. Lobb, for joining us today. On behalf of Canadian agriculture, thank you for supporting this private member's bill.

Canadian ag—grain production and animal production—is very much integrated into a North American scene, particularly with our neighbours to the south in the U.S. You mentioned the Chicago Board of Trade, which sets the benchmark pricing for a lot of the trade that occurs.

What is the U.S. carbon pricing plan for their ag industry?

**Mr. Ben Lobb:** First of all, Mr. Epp, I'd say that we're competing on the world stage—you know that and you've been around the world on agriculture—and this is a competition. With the carbon tax that's being applied to farmers today, we're tying one arm behind our back in the ability to compete on the world stage, not to mention the unfair tariffs on fertilizer that have been applied to the March 2 and prior purchases. This has cost millions of dollars for a sector and an industry with very low margins to begin with.

**Mr. Dave Epp:** What I hear you saying is that there is no charge being applied to American farmers, so basically Canadian farmers are eating that from a competitive basis when they go up against American farmers.

We are told that the measures in the budget, in Bill C-8, were left there to send a price signal to the ag community to turn away from their fossil fuel ways, yet the proposed rebates were to partially compensate their costs. What should a farmer in rural Canada do if they're on a concession road, like I am, and they only have single-

phase hydro for their grain-growing operations? Is that why you're proposing a blanket exemption? Are there alternatives?

**Mr. Ben Lobb:** That's right. To put it simply, there's just not enough electricity. Even if you wanted to go to electricity in Ontario, it basically would be hydro and nuclear fuelling those. There's just not the grid capacity up and down the concession roads to do it, and there would be a huge cost to convert.

In addition to that, many years ago—I'm thinking over 10 years ago—there was a change to the NOx and SOx for diesel emissions, and all the new tractors that came out had those in there to help with emissions. Maybe in the desert in Arizona or in California you can use the sun to dry, like they do salt, but it's not practical at this time to do that here. We have to compete today.

I will remind everybody that we're not making widgets. We are making food that feeds this country and feeds the world. If we've learned anything in the last six to eight months, it's that the nations that can make things and feed people are the nations that will be ahead and can take care of their own people.

**Mr. Dave Epp:** Thank you.

Farmers—at least in my community, and I'm sure across Canada—have been innovative and have adopted many measures on their own. To my knowledge, it's on their own: crop rotation, rotational grazing, 4R nutrient management and cover cropping. Are you aware of any tax incentives that were put in place to incentivize those production systems?

**Mr. Ben Lobb:** Well, through the years, there would be the environmental farm plan. That would be a plan that many people would be aware of and that farmers who are listening would be aware of.

If your local crop and soil group were managing programs, there might have been a grant for fencing, a grant for no-till drilling or a grant for putting in your fall cover crops. Those programs I think are effective, but again, what you're doing with this pricing on carbon is that you're creating a whole level of bureaucracy again and trying to figure out who's going to win and who's going to lose.

Just recognize that we're making food and that this is helping the sovereignty of our nation.

**Mr. Dave Epp:** In my riding, there is the largest concentration of greenhouses in North America and second-largest in the world. It is my understanding that in the previous pricing regime in the Greenhouse Gas Pollution Pricing Act greenhouses received an 80% exemption.

Under your proposal, I believe they would go to 100%. Do you have any comment on what \$1.47 for last year to \$1.73 now would do to the greenhouse industry given the fact, obviously, that they're heating their greenhouses through the wintertime?

• (1550)

**Mr. Ben Lobb:** Yes, and if you also figure out the increase, the inflationary pressures they're facing with transportation and with labour, and the issue with immigration and getting workers to come and to be able to actually work in these greenhouses, they have a lot to manage as well. Now they're facing margin pressure with the carbon tax on their natural gas or propane bill. It's very difficult.

I'm not trying to be an alarmist here with this, but if you look at what has happened since I read my bill into the House of Commons or since Philip Lawrence introduced his bill a couple of years ago, look at how the world has changed, and in many different ways.

This, in my opinion, is for the survival of Canadian agriculture and the ability for it to thrive in the future.

**Mr. Dave Epp:** I think in the views of many, natural gas and propane for barn heating kind of fell through the cracks at the last go-round, and they're now being included in this go-round.

**Mr. Ben Lobb:** Yes.

**Mr. Dave Epp:** Another industry whose president was a constituent of mine was the head of the Canadian mushroom growers and Highline Mushrooms. I know there are mushroom facilities across Canada. Considering that mushrooms are food—despite the fact that my wife won't eat them—it's my understanding that your proposal in Bill C-234 would also cover them. Is that correct?

**Mr. Ben Lobb:** If you take a look at the actual act and what was excluded, the heating of buildings for the purpose of livestock/food certainly would be a consideration under this one, for sure. Again, it's not to make widgets. It's not to make high-end anything. We're just talking about the ability for a farmer to grow food and make a reasonable margin, which is not a big margin. They're not operating at 40% gross margins.

**Mr. Dave Epp:** Thank you.

**The Vice-Chair:** Thank you very much, Mr. Epp and Mr. Lobb.

We will turn it over to the Liberals and Mr. Drouin for six minutes.

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

Welcome to the agriculture committee, Mr. Lobb. I know you have the opportunity to represent the second-best riding in Ontario. I don't want to make anyone jealous, but I do have the opportunity to visit your riding often, with my in-laws living there.

Mr. Epp touched a little bit on a key difference between Bill C-206 and Bill C-234. Mr. Lawrence's previous bill touched on qualifying fuels. You're focusing on property used for the purpose of providing heating or cooling.

Why does your bill differ from Mr. Lawrence's bill?

**Mr. Ben Lobb:** Well, I think the most important thing on there is the way the act is described. One of the exclusions in there was "property used for the purpose of providing heating or cooling to a

building or similar structure". In the pricing act, it is excluded. It was easier to just make it include livestock, etc., so that it was very clear, if you catch my drift.

We didn't want to have ambiguity and have people thinking that this was going to be heating their homes or something like this. You're heating a building, and that building would be for livestock as an example of food production. I thought that was a good idea.

**Mr. Francis Drouin:** Okay.

Just to be clear, this bill would not be applied to provinces where there is a carbon pricing model in place. For most of the provinces, for instance, there wouldn't be an impact with your bill in place, right?

**Mr. Ben Lobb:** It's just the backstop provinces, Alberta to Ontario.

**Mr. Francis Drouin:** Okay.

This was also a point of discussion with Bill C-206. Would you be open to some amendments to your bill? For instance, we know that some technology is catching up. There are biomass grain dryers right now. I'll be forthright with you that they're not completely or all available to the market, but there are technologies in south-western Ontario, where I know some farmers.... We've helped fund that particular technology. He's testing it with corn right now. He's paying zero carbon tax because he's adopted a biomass technology for grain dryers.

The point is that we are trying to decarbonize inputs, and that's what the carbon levy does, but I do recognize that right now technology is scarce for grain dryers. It's there, but it's not completely there yet.

Would you be open to having an amendment to put a timeline on that particular exemption?

**Mr. Ben Lobb:** Yes. I think we're open to looking at anything to see if we can work forward. If we can look at stuff like that and get support from a person such as yourself, I would definitely do that, for sure. If you look at how technology's progressed in 10 years, who knows where we might be at that time?

• (1555)

**Mr. Francis Drouin:** Okay.

With regard to your comment on the 12% rebate program, I did some calculations with local farmers and their accountants. We came up with one-third. I'd love to have a discussion off-site about how you came up with 12% and I came up with one-third, but I think it's important for—

**Mr. Ben Lobb:** Well, I wasn't an A-plus math student in high school, so that could be part of it.

We got that number from the Ontario grain farmers. I'm sure they'd be happy to go through their math. I'd be happy to sit down and do that.

Whether it's 12% or 33% or whatever, it's still a long way from being neutral, let's say. Again, there's no recognition of the sequestration that takes place with your corn crop, your soybean crop, your wheat, grasslands, or even what you do in the woodlots. I know that you've been around here in the county through the years. You can go anywhere in the world, in my opinion, and you'll see some of the most ethically managed woodlots here in Bruce County, for sure.

**Mr. Francis Drouin:** I think that's a great way to incentivize farmers to get some recognition. While this committee isn't taking care of that, I think the environment committee is looking at it. We're not all the way there yet, but I think we'll get to a place where it's comfortable for farmers.

How much time do I have, Mr. Chair? Is it about a minute?

**The Vice-Chair:** You have a minute and a half.

**Mr. Francis Drouin:** Thanks for presenting the bill. I know this is an important bill. I'd be lying if I said I didn't hear from farmers. We may disagree on how to get there, but I think this presents an option we can work with. I know our committee members will be able to get to a satisfactory place.

**Mr. Ben Lobb:** Thanks.

I think another important point to note is.... For example, in my area—I know your area would be similar, in some ways—we have some significant rivers and streams in Huron-Bruce County. I always say that farmers are the last line of defence in making sure that the rivers and streams are kept clean and fresh. Everything that flows in the rivers and streams, in my riding, flows into Lake Huron. Between making a profit and getting their crops off, they're also very careful about how they apply their manure and do their tile drainage, etc., in order to maintain the efficacy of the creeks and streams that flow into the rivers.

**Mr. Francis Drouin:** Thank you.

**The Vice-Chair:** Thank you very much, Mr. Drouin.

Since we have a couple of seconds before we go to Mr. Perron, the Sergeant-at-Arms has sent out an email with a weather warning and tornado watch. There are instructions in your email. Perhaps it's in your office email and not your P9 one. An emergency alert announced on the Hill outlines some instructions on what we're supposed to do. Whoever's office is the closest with wine and beer in the fridge...I just assume that's the place we go to.

**Some hon. members:** Oh, oh!

**An hon. member:** Shelter in place.

**The Vice-Chair:** Exactly.

[*Translation*]

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

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

Mr. Lobb, thank you for being here today.

When we receive alerts like the one we just got, we know it is high time for action on climate change. It is important.

Mr. Lobb, we also studied Bill C-206, a very similar bill. We talked a lot about possible alternatives. Can you tell us what the current alternatives are for farmers, specifically for grain drying?

It is relevant to talk about the carbon tax to the extent that farmers have a choice. Do farmers have a choice currently, specifically for grain drying?

[*English*]

**Mr. Ben Lobb:** I don't think it's an economically viable choice. I know Francis mentioned some of the other new technologies. I don't disagree with the potential they may have, but, in reality, we're a long way off from mass adoption. Certainly, with the supply chain constraints we have, nothing is going to make a difference today.

You know the vulnerabilities of a fall harvest: being able to get it in on time, before the rain flies and there's mud on the ground. The ability to get it in, dry it and put it in the bins has a very small window of time. Propane and natural gas deliver the drying capacity to get it in on time. In time, if there are other viable options, we should embrace them, study them and do pilot projects, as was described. In the mid to near terms, maybe even with a 10-year time horizon, we're still looking at the traditional way of drying crops, I think.

There's a salt evaporator plant in my riding that evaporates salt taken out from under the lake. It's all dried mechanically. If you go out to the desert in the southern U.S.A., they dry it all in the desert. We don't have a desert climate to dry it in, but anything's possible.

• (1600)

[*Translation*]

**Mr. Yves Perron:** Thank you, Mr. Lobb.

If I understand you correctly, taxing greenhouse gas emissions from this process would not allow for a technology transfer. It would increase production costs, reduce the profit margin, and sooner or later increase food prices.

Is that correct?

[*English*]

**Mr. Ben Lobb:** Are you saying that, if you do one, you can't do the other? Is that what you're saying?

[*Translation*]

**Mr. Yves Perron:** Without an alternative, if we impose a tax on these processes at this time, it would simply increase production costs and reduce farmers' profit margins since they have no other options.

If there is an incentive for people to buy a smaller vehicle, for instance, people have a choice. In this case, however, farmers do not have a choice at this time. That is what I understood.

[English]

**Mr. Ben Lobb:** Well—

**Mr. Ben Lobb:** That would be my argument: that for now, there's not a choice.

[Translation]

**Mr. Yves Perron:** Bill C-206 refers to heating buildings. That was not included in the bill initially. We had talked about it, but it was not included. It is in the bill now.

For heating, are there more alternatives or is it the same situation? I am talking about heating buildings.

[English]

**Mr. Ben Lobb:** If you're heating a hog barn or a broiler barn or a layer barn, there really are no options today.

You could try to incorporate some green energy to supplement that, but at this point in time, it's the propane tank hitch beside your barn, or if you're fortunate enough to have a natural gas line pass your farm, the natural gas feeds into it. Being realistic, those are the only two viable options out there today.

Electricity is always another option. It's a more expensive option, but again, there are grid restraints. For example, say in the province of Ontario, once you get past 2025, there will be a legitimately short supply of electricity, and quite likely grid capacity as well.

[Translation]

**Mr. Yves Perron:** I understand your argument about the grid. This may surprise you, but in some parts of Quebec input current can be quite expensive. Changing input current is very expensive.

Do you think the government could introduce an incentive so people could access electricity to heat buildings, for instance, in the coming years?

[English]

**Mr. Ben Lobb:** I believe overall that it doesn't matter the political stripe of the government that will be leading the country going forward, because we have to have a larger discussion about food sovereignty in our country and the priority therein. Whether it's this bill, or it's beefing up a grid to be able to do whatever we need, or food processing or being able to bring in qualified labour to process our food in this country, we need to have almost like a national statement of the priority of food sovereignty in our country and hold it at the very highest.

If there are programs or there are initiatives, that should be dovetailed into the priority that our country sets forth.

**The Vice-Chair:** You have 10 seconds, Mr. Perron.

[Translation]

**Mr. Yves Perron:** I will speak again later, Mr. Chair.

Thank you.

**The Vice-Chair:** Thank you very much.

[English]

Mr. MacGregor, you have six minutes, please.

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

Welcome to the committee, Mr. Lobb.

I think we can all agree that this is one of the best committees, if not the best, and we're all trying to work together here and make lives better for farmers.

In the last Parliament, it was nice to see Bill C-206 clear the House of Commons. We delivered it to the Senate, but unfortunately it was interrupted by an election.

However, maybe you could tell me what some of your big takeaways were when you looked at the journey that Bill C-206 took through the legislative process. What were your big takeaways, and how did that influence how you drafted Bill C-234?

**Mr. Ben Lobb:** I think one of the things—and you can provide your own input on it—was the part about what you were trying to accomplish by amending the pricing act in and around the grain drying. I think it was a little ambiguous there, and it's not a critique of Philip. However, that's why we specifically included grain drying, to give some context as to why that should go from an exclusion to an inclusion.

As well, with the Senate bill—I think it was Bill S-215—for the livestock barns, it was just to recognize the huge bills and the economic realities they're facing with them.

• (1605)

**Mr. Alistair MacGregor:** I haven't looked at Bill S-215. Did you borrow the language? Is it basically a combination...?

**Mr. Ben Lobb:** Yes. I didn't footnote the fact that I pretty well stole from it, but yes.

**Mr. Alistair MacGregor:** There's no such thing as plagiarism in politics. If it's a good idea, you run with it.

**Mr. Ben Lobb:** It's just trying to lift good ideas, I guess. Yes.

**Mr. Alistair MacGregor:** We have had a lot of good conversations around the committee table. We realize that a price on carbon is there to incentivize a change in behaviour, but it doesn't work very well if there aren't commercially viable alternatives available. We've already had discussions on the committee table today about that.

If you look at the parent act, the Greenhouse Gas Pollution Pricing Act, the government drafters took the time to spell out exemptions. They made mention of what a qualifying farm fuel is and eligible farming machinery. In your mind, why do you think they put those exemptions in the parent act? What is the main reasoning behind that?

**Mr. Ben Lobb:** I think it was the reality of there being nothing else economically viable.

I can give you an example from my own personal life. I had a Husqvarna chainsaw for 20 years—pretty much my entire adult life. It was a two-stroke engine. What do I have now? I have a Makita chainsaw with two 18- or 24-volt batteries. I can take them out and put them in my drill, then take them out and put them in my chainsaw. When I'm done with that, I can put them in my Makita grass trimmer. When I'm done that, I can use them in my Makita battery-driven blower.

Those aren't options for drying grain in agriculture today. Believe me, if farmers had the viable option of putting one of Elon Musk's beautiful batteries into their vehicle, I know they would do it. It would only make sense if they could operate it for 24 hours in a row. Those options aren't available.

**Mr. Alistair MacGregor:** I know from talking with Philip, in the last Parliament, about one thing that led to Bill C-206. We heard mention of the so-called “harvest from hell”—the really wet harvest that forced a lot of farmers to run their grain dryers overtime. It really ballooned their costs.

The irony, though, is that those extreme wet-weather events are going to become more and more frequent, thanks to climate change. A common refrain we hear at this committee is that farmers are on the front line of climate change.

In the time you took to draft Bill C-234, did you reach out to any of the farmers being impacted in that way and seeing increasing frequency in the use of their grain dryers?

**Mr. Ben Lobb:** It really depends on what year it is and how much drying.... Sometimes, you can almost take your beans in on your V-Bin, right into your bin, and it's hardly anything. A couple of falls ago, however, the corn was almost coming in like gum, in some cases. It really depends on the year.

That's why I say the use of propane or natural gas for drying is the most robust and efficient, in a time crunch. You have literally millions of dollars. I always say that, if you knew how much money it costs to make a dollar in agriculture, you'd never do it. However, people love to do it. It's been passed down through generations, and it's a struggle they love.

You can go to any farm in Huron County, Bruce County or anywhere else, and they're beautiful and well maintained. If they can make an investment in an innovation that reduces emissions and increases their profit margins, it's a no-brainer. They will do it.

**Mr. Alistair MacGregor:** I have one quick final question.

I live in British Columbia, so my province wouldn't be affected by this legislation. For any of the provinces with their own system in place, do you know whether provisions exist in some of the provincial legislation for grain drying, or will this establish a precedent for them to follow?

**Mr. Ben Lobb:** That's a great question.

I'll admit that, in my own life, I'm busy enough and haven't had time to become an expert in the other provinces. However, it would be a worthwhile investigation in the other provinces.

I'm not quite sure.

• (1610)

**Mr. Alistair MacGregor:** Thank you.

**The Vice-Chair:** Thank you very much, Mr. MacGregor.

It's now back to the Conservatives.

[*Translation*]

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

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

Mr. Lobb, thank you for presenting this bill, which is truly important in order to support agriculture, which feeds our fellow citizens and many other people on the planet. It is important if we want agriculture to remain competitive.

I would like a few clarifications about the parliamentary budget officer's conclusions regarding Bill C-234.

[*English*]

**Mr. Ben Lobb:** I've thought about that. I think, for this year, it would cost farmers about \$54 million, a significant amount of money.

Again, I haven't gone through and checked the Parliamentary Budget Officer's spreadsheets for exactly how he comes to that number. I've worked with him on the government operations committee and the shipbuilding strategy. He has his own formula to calculate that from.

It is a significant number. You can go from that one example of one hog farmer for one month having a \$2,900 bill. Don't look at the totality of it. Look at how much it's costing each farmer up and down the county roads. It is significant.

[*Translation*]

**Mr. Richard Lehoux:** Thank you, Mr. Lobb.

On another matter, I would like to talk about alternatives for drying. That includes grain drying, which is perhaps different from heating buildings.

This morning, I was talking with a farmer who uses biomass. That said, it is not a solution that completely eliminates the use of gas or propane. This farmer also pointed out that, when using biomass, it also has to be transported. In a sector with a lot of grain production, there is not that much biomass nearby. This farmer raised this problem.

Do you share that view?

[*English*]

**Mr. Ben Lobb:** I've toured a few anaerobic digesters through the years, one in London and one actually in my own riding. He has a large beef cattle feedlot. He has his manure in one tank, and in the other he has scrap food shipped in from all over the region. They mix it together. He has two converted diesel Cat engines that go off of methane.



I mean, you can do it, but it's a tremendous, tremendous cost to have just one farm like that in one area. Now, that was good, because there were some at-risk small little lakes, so it kind of cleaned them up pretty nice.

So it can be done, but it's quite a cost. You'd have to really put the economics behind it on that one.

[*Translation*]

**Mr. Richard Lehoux:** Thank you, Mr. Lobb.

Ultimately, the cost negatively affects competition when it comes to reselling grain.

In all your discussions with various industry and other stakeholders, did you get any negative feedback on this bill? Did you meet people who shared some of their concerns? Or the opposite?

[*English*]

**Mr. Ben Lobb:** Yes, I did. To be honest with you, some of the larger more commercial operations—they would have grain drying and an elevator and maybe offer more products—would like to have it in this bill as well, that they be included, like legitimate commercial drying operations. We looked at trying to put that into the bill, but it pretty well doubled the size of it. It was pretty cumbersome. I thought there was probably a zero per cent chance that it would get passed through committee or even in the House of Commons. I thought we had to be realistic. We're trying to help farmers.

I'll go back to one of the comments I made before. Farmers who are on farm are price-takers. Commercial operations, although I would love to cut their carbon tax, have the ability to massage the numbers. I'm not saying they're padding their numbers, but they do have the ability to pass some of the costs along, whereas a farmer on a concession line just takes what they can get. You know that.

[*Translation*]

**Mr. Richard Lehoux:** Thank you, Mr. Lobb.

• (1615)

**The Vice-Chair:** You have 20 seconds left, Mr. Lehoux.

**Mr. Richard Lehoux:** I would simply add something to what my colleague said earlier about the 12% rebate. Regardless of the figure, increasing costs have a negative effect on the competitiveness of our businesses.

[*English*]

**The Vice-Chair (Mr. John Barlow):** Be very quick, Mr. Lobb.

**Mr. Ben Lobb:** Yes.

Even on \$1 million of eligible expenses, it's not even \$1,800. You can see the disparity with the current program.

**Mr. Richard Lehoux:** Thank you, Mr. Lobb.

**The Vice-Chair (Mr. John Barlow):** *Merci.*

Ms. Taylor Roy, you have five minutes, please.

**Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.):** Thank you.

Thank you, Mr. Lobb, for being here. I appreciate the difficulty that farmers have. I come from a long line of Dutch farmers in hog

farming, chicken farming, garden produce and the lot, so I've seen what you're talking about. I agree that there are years when it's tougher than other years. Certainly, climate events have added to that.

I'm really trying to weigh the two sides, because I think the increase in severe climate events has also presented challenges and added costs to our farmers as well. We just have to look at the droughts and the floods and everything else that's going on to see how insurance costs, risk-management costs and just rebuilding have become so expensive for those farmers and for our governments, quite frankly.

While I agree with you that food sovereignty is important and we need to protect our farmers, the question is, how do we best do that? In the short run, with these increasing pressures, I see what you're saying, but you yourself spoke about some innovations in biomass and things that can be done. Certainly, the grid has to be expanded, but there has to be a point at which we want to incentivize more of this technology. We want to encourage people to develop it. If there's no price on pollution, will that be there? How will that market incentive work? Do you have any thoughts on what that balance is?

**Mr. Ben Lobb:** The one biodigester that I can think of in my riding was there long before there was ever a carbon tax. It was there probably 12 years ago. He didn't need an incentive to do it—

**Ms. Leah Taylor Roy:** Right.

**Mr. Ben Lobb:** —as far as I know. It certainly didn't come from a carbon tax, as far as I know.

What I would say is that innovation will make it.... It's already doing it anyways, but I think that if you look at the short to medium term, there are a lot of pressures facing Canadian agriculture and Canadian industry, and this is a chance for the committee or for Parliament to provide some relief for Canadian agriculture.

If I thought—maybe everybody else here thought—that if this were applied it would change climate forever for the better, I'd say let 'er rip, but it's not going to. I just look at the calls and emails I get at my office. For the issues that are coming in, where we have our agriculture days with the county and everything else, it's not a list that is getting shorter with issues. It is a list that is getting much longer.

This is an opportunity here to not create another layer of bureaucracy, and to not try to come up with a calculation that's fair but one that will actually help farmers. On the rebate—like the \$1.73 and \$1.47 per \$1,000—I think that's trying to say that “there's a recognition for some of the good you do”, but I think that if you look at the neutrality, on a farm they're getting a really short deal with the current way it's set up with the rebate structure in Bill C-8.

**Ms. Leah Taylor Roy:** With regard to one of the other output-based pricing systems and the greenhouse gas credits that we're working on right now, do you see that as sufficient to offset the price on pollution for some of these farmers? You mentioned that they're—

**Mr. Ben Lobb:** If—

**Ms. Leah Taylor Roy:** —doing so much to help our environment. If that's recognized, do you think that—

**Mr. Ben Lobb:** If Minister Bibeau had presented in the fall economic update—this is my own personal opinion—that it was \$1.47 per \$100 and not per \$1,000, I might have been persuaded to vote for the budget, because I think farmers in my riding and around the four backstop provinces then could actually see a significant return for their environmental good.

I think that at \$1.47 per \$1,000 it's really...to me, it's just a pittance. It's a token amount.

**Ms. Leah Taylor Roy:** So you're saying it's about the amount...?

**Mr. Ben Lobb:** No. I'm saying that if you're charging a carbon tax and it's costing them tens of thousands or hundreds of thousands of dollars, but you're not recognizing the environmental good they do on their farm with what the sequestration of the crops does, with the woodlots and with their responsibility to the creeks, rivers and streams that flow through.... They plant cover crops in the fall and riparian strips along areas where there's tilled land to not disturb the soil and have runoff. They do all of that almost for free, and they get nothing in return. That \$1.47 per \$1,000 to me does not seem like a fair deal if you're charging them the tax and basically making them out to be “bad guys” in a way.

• (1620)

**Ms. Leah Taylor Roy:** I don't think that's the intention behind it, because I think that on this committee and in Parliament we all appreciate our farmers and—

**Mr. Ben Lobb:** Oh yes. No, no—I agree with that.

**Ms. Leah Taylor Roy:** —we know how important it is.

**The Vice-Chair (Mr. John Barlow):** Thanks, Ms. Taylor Roy. I appreciate that.

We now go to Mr. Perron.

[*Translation*]

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

**Mr. Yves Perron:** Oh! The chairman spoke French.

Mr. Lobb, Mr. Drouin asked you earlier whether you were open to adding a timeline and you said yes.

Everyone would like us to move towards reduced fossil fuel consumption.

You are talking about something very interesting, namely, the recognition of positive actions for the environment. What do you see happening next?

[*English*]

**Mr. Ben Lobb:** Yes, like on a sunset clause, it would be 10 years. I personally have no problem with that at all. I mean, who knows where technology will be at? Who knows where the evolu-

tion and rotation of governments will be and where the policies are at? Who knows?

[*Translation*]

**Mr. Yves Perron:** How should we proceed?

We can pass the bill and include a timeline. I believe though that we have to do something more in the meantime.

You talked in particular about cover crops. In a study conducted previously by the committee, we talked about the environmental impact of farming and the need to recognize and reward each positive action. We talked about the possibility of introducing a program similar to AgriInvest, which would give farm businesses access to funding to move on to the next innovation.

Do you think that would be beneficial and would accelerate the transition?

If we recognized farmers' efforts, they would be more motivated to do more. If they also had funds available, that might accelerate research.

What are your thoughts on this?

[*English*]

**Mr. Ben Lobb:** You have different colleges and universities in each province doing research in collaboration with business and doing some great work on a whole number of things. For programs that deliver to the farmer, for example, the environmental farm plan, a lot of farmers in Ontario—at least here in Bruce—think the environmental farm plan has done some good work. I've seen it myself. However, the problem is that by the time the applications are open and applied for, almost all the money is gone. It doesn't really seem fair that if you missed it by a week, because you were away or working on something else, you missed out.

If they had the ability to apply a significant amount of money to do some good that is fair and equitable up and down each county road, I'd be all for it. I think everybody would be for that. It would make sense to me, but as I said, you likely think of your own constituents for programs that have happened like that. One neighbour was successful at it, and the next one was not.

That is frustrating.

**The Chair (Mr. Kody Blois (Kings—Hants, Lib.)):** Thank you, Mr. Lobb. That's the time.

Thank you, Mr. Barlow, for filling in in my absence.

Welcome, Mr. Lobb, to the committee.

We're going to Mr. MacGregor now.

**Mr. Alistair MacGregor:** Thank you very much, Mr. Chair.

Mr. Lobb, in my province and in many provinces, you have marked gas and marked diesel. They usually add a dye to it, so that you can easily tell it's for on-farm use. Usually, it's in its own little pump and you have to demonstrate that you are a farmer before they'll allow you to fill up with it.

I get propane delivered to my house, so it's easily measured. They can see what tank it goes in.

Do you anticipate any unintended consequences or difficulties, especially for farmers, who might have a direct line going to their farm? Will they now have to set up a separate meter for that system?

Is that anything that you might have considered during the process of drafting this bill?

**Mr. Ben Lobb:** I can't say for sure for propane, but I think most would have a large tank by their dryer, or they'd have a large tank beside their chicken barn or hog barn. Some don't even have a home on the farm, let's just say, but they would have a smaller tank at your house. That is pretty obvious.

The natural gas is pretty close, too, but your accountant would be able to calculate the square footage of your home, if it were all on the same metre, within a few bucks. It's going to be pretty small, compared with the cost of heating a hog barn, so we're talking a couple of hundred bucks on a \$50,000 bill.

• (1625)

**Mr. Alistair MacGregor:** All right. Those are all the questions I have.

Thanks, Chair.

**The Chair:** Okay. Thank you very much.

We're going to go to a third round.

We started a bit late, Mr. Barlow. I think it was nine minutes later, because of the votes and some of the delays. It's okay, John. I appreciate everything you did, but we will go to a third round.

Mr. Barlow, I'll let you decide who's going to speak on your side, but it's over to you for five minutes.

**The Vice-Chair (Mr. John Barlow):** Mr. Falk will take the round.

**The Chair:** Go ahead, Mr. Falk.

**Mr. Ted Falk (Provencher, CPC):** Thank you, Mr. Chair.

Thank you, Mr. Lobb, for the attention you have paid again to our farm community. I want to thank you for bringing this very important issue forward to our agriculture committee.

Last year, when I was on the finance committee, we passed Larry Maguire's Bill C-208, which allowed farmers to successfully transition their farms to their children with the same favourable tax treatment as selling it to a third party. A lot of these transitions to the next generation still mean that the second generation has to be highly leveraged.

I'm wondering if you considered the impact of highly leveraged young farmers when you presented your idea in this private member's bill.

**Mr. Ben Lobb:** The number of phone calls and emails I've received has been interesting. Some have been from local farmers, some from people I went to high school with—I hate to give my age up here, but in their mid-40s—and some who are younger. They gave their thoughts on it and how much of a difference it would make to them and their families.

They are looking at different things, with planting the crops and putting the fertilizer on, and the increase in that in addition to the tariff and a number of different things. I'm telling you, it will make a difference. It's not going to save their lives, but it is going to make a difference to their bottom line. In some cases, it will be very significant.

I'll give you pork as an example. That is a very tight margin, high volume area, and they have had it tough for years. This is a chance to cut them a break and give them maybe 0.5% on their margin, or even 1% of their margin, just to give them a bit of breathing room month-to-month, in the wintertime anyway.

**Mr. Ted Falk:** Would you, Mr. Lobb, be of the opinion that farmers would use fuels unnecessarily?

**Mr. Ben Lobb:** No, I wouldn't.

I can't believe how formal everybody is here today, calling me Mr. Lobb. I've never had that before. I've only been called Ben or worse.

Mr. MacGregor was talking about the guys who would try to burn dyed fuel in their diesel trucks or their diesel cars, and I think they call that a "dipstick". I don't think anybody would do that, to be honest with you. I'm sure there would be somebody. But, no, it's pretty straightforward. I think they would appreciate having the opportunity to not pay the tax that they would not do something stupid and try to skirt the rules.

**Mr. Ted Falk:** Right.

I've talked to a bunch of young farmers in my riding about heating chicken barns and hog barns in the winter. Certainly here in Manitoba it becomes very cold. We get those cold prairie winds. They have no choice but to use either propane or diesel fuel to heat their facilities and to keep their livestock warm. I haven't talked to one of them who would incur that expense if it weren't absolutely necessary. I also talked to grain farmers. I haven't talked to any grain farmers who fire up that grain dryer unless it's absolutely necessary, because it actually takes money straight off the bottom line.

This is a simple way. We've recognized the importance of farming by exempting farm fuels for use on cropping, and we should extend that then to the drying of that cropping. I think that's just common sense. If we recognize the importance of farming, then we need to extend it all the way and make sure that for livestock facilities and also grain dryers, we have the same exemption in place.

I really appreciate your comments on food sovereignty.

**Mr. Ben Lobb:** Thank you.

**The Chair:** Mr. Falk, would you like to cede the rest of your time? There's now only about 30 seconds left.

**Mr. Ted Falk:** Yes. I'd like Mr. Barlow to ask a question.

• (1630)

**The Chair:** It's over to you, John.

**The Vice-Chair:** Mr. Lobb—Ben—

**Mr. Ben Lobb:** Thank you, John.

**The Vice-Chair:** —one of the questions was, are there other sources for grain drying and heating barns? Obviously we're talking about green energy, such as solar and wind, but we're talking about rural Alberta, Saskatchewan and Manitoba, and I think when you're talking about protecting livestock and animal health, reliability of that energy source is also critical, is it not?

**Mr. Ben Lobb:** It definitely is.

When you think of a weaner barn, or when your chicks first come into a broiler barn and they're just tiny, you have to have that barn heated. It needs to be heated at a certain temperature, because you do not want to have a catastrophic event.

I think back to a couple of years ago when we had an issue with getting propane in from Sarnia, in through Ontario and into Quebec. We were within 24 hours of having some serious events occur.

So it needs to be robust. Sure, you can supplement it with other renewables at this time, but when you have a barn full of chicks or a barn full of weaner pigs, you cannot take that chance. To be ethical, you don't want to take that chance.

**The Chair:** Thank you, Mr. Lobb.

Thank you, Mr. Barlow.

We will turn now to Ms. Valdez.

It's over to you for five minutes.

**Mrs. Rechie Valdez (Mississauga—Streetsville, Lib.):** Welcome, Mr. Lobb—or Ben. Can I call you Ben?

**Mr. Ben Lobb:** Thank you. Yes.

**Mrs. Rechie Valdez:** I appreciate the dialogue to better understand Bill C-234. On March 25 when you made your speech, you said, “farm producers and farmers do not get credit for any of the environmental good that they do on their farms” and “they get no credit for any of the carbon sequestration of their crops. They get no credit for their grasslands or woodlots.” I was wondering if you could clarify and elaborate on what you were speaking about then.

**Mr. Ben Lobb:** Well, it's very good that you looked up that speech. We don't always remember what we've said.

In that context, basically I was saying look at all they do. Look at everything farmers do on their farms. For what they are paying, for tax and everything else, they really get no economic credit for the environmental good they do, in my opinion.

Of course, Bill C-8 wasn't passed at that time. But some people over on this side might say, “You're starting to receive some credit for the environmental good you do.” I would say a few bucks on \$10,000 worth of expenses is a pretty low threshold.

**Mrs. Rechie Valdez:** Some farmers are moving to become more sustainable. In this committee, we recently studied the environmen-

tal impacts on agriculture. What can we do, then, to incentivize farmers to help them become more sustainable?

**Mr. Ben Lobb:** Well, I know many Mennonites and Amish people in and around my area, and they are sustainable. But they basically grow for themselves and their communities, and maybe a few farmers' markets along the way. That's not a model.... It's a good model, and they're friends of mine, and I've known them since I was a kid. However, in the traditional sense of agriculture farming in the year 2022, we are trying to feed all the cities and we're trying to export some around the world, so we're working on a model of sustainability.

I think there already is a model of a sustainability, but truly going full circle I think is what we're all talking about, and we're not quite there. It will be innovation and technology that gets us there.

**Mrs. Rechie Valdez:** We've talked about this a bit in this committee, but over the past 30 years, there's obviously been a huge change in how farmers operate in terms of sustainable practices.

The Canola Council of Canada found that using genetically modified canola oil helps reduce soil tillage, reduces the use of herbicides and cuts the use of fuel consumption.

Do you encourage our farmers to use these practices as well?

**Mr. Ben Lobb:** I think, as a farmer, you have to make your own business decision on what you want to do. There are people who are organic farmers in Huron—Bruce, and they would tell you that their model is the best. Then there are conventional farmers, who have different crops, and use Roundup and fertilizer sprays, pesticides, herbicides, etc. I think either one is perfectly acceptable. It's your own business model.

Even on an organic farm that wouldn't use the sprays, they will go up and down their crop rows with tractors and modified equipment to keep the weeds off the ground. They're still using combustion engines to maintain the integrity of their crop in the field.

**Mrs. Rechie Valdez:** Thank you for that.

You touched on it earlier, but what kinds of barriers do farmers face when transitioning to more environmentally friendly sources of fuel consumption? You mentioned a few, but can you elaborate?

• (1635)

**Mr. Ben Lobb:** In general, I think they have to be profitable. That's one thing. If you're not profitable in agriculture, it's hard to make investments in anything.

If you looked at a tractor 40 or 50 years ago—what a John Deere 4430 looked like—and what it looks like today, it's completely changed. It wasn't through an ag program or through government grants per se; it was through a bunch of brilliant people who made change, and produced—you can debate which one is better—the tractors of today and what they're able to do.

With precision spraying and all the stuff that's used with drones and all that, most of that does not come from government grants. It has mostly come through technology and brilliant people, who maybe grew up on a farm and were able to apply it to what they're doing.

**Mrs. Rechie Valdez:** Thank you, Ben.

**The Chair:** Colleagues, that ends the first panel.

I'd like to thank Mr. Lobb for being here today and for bringing forward his private legislation for us to consider.

I don't know if Mr. Barlow recognized it when he started the meeting, but I believe there are a number of farmers in the room as well.

On behalf of all our committee members, we thank you. I think particularly with what we've been studying around global food security right now, your profession cannot be understated in terms of your importance.

Thank you so much, colleagues.

We are going to take just a couple of minutes, and we're going to be transitioning to officials in the second hour. Please don't go far. Thank you so much.

• (1635) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1640)

**The Chair:** We'll get started on the second hour of our testimony. I know everyone's excited that we're all back in person and chatting.

Today we have officials from three different departments joining us.

From the Department of Agriculture and Agri-Food, we have Natasha Kim, the assistant deputy minister of the strategic policy branch, and Marco Valicenti, director general of the innovation programs directorate.

From the Department of the Environment, we have John Moffet, the assistant deputy minister, environmental protection branch. I believe he's coming. I don't know, but we'll work with the clerk on that. Also, we have Judy Meltzer, the director general of carbon market bureau, environmental protection branch.

From the Department of Finance, we have Miodrag Jovanovic, assistant deputy minister, tax policy branch; Gervais Coulombe, senior director, excise taxation and legislation, sales tax division, tax policy branch; and Jenna Robbins, senior director of strategic planning and policy, business income tax division, tax policy branch.

There are lot of different titles there and my apologies to some of our lovely civil servants if I haven't quite gotten your last names

correct. We're happy to have you here on an obviously important topic.

We are going to have five minutes for opening statements. My understanding is that we'll hear from Finance and from Agriculture. Environment is here to answer questions, but is not going to be providing opening remarks.

I'm going to start with Mr. Jovanovic from Finance.

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

• (1645)

**Mr. Miodrag Jovanovic (Assistant Deputy Minister, Tax Policy Branch, Department of Finance):** Thank you.

Thank you for the opportunity to appear today concerning private member's Bill C-234, which seeks to remove the fuel charge on the use by farmers of natural gas and propane for heating and drying activities.

The Greenhouse Gas Pollution Pricing Act, the GGPPA, currently provides upfront relief from the fuel charge to farmers for gasoline and diesel use in eligible farming machinery, such as farm trucks and tractors. The GGPPA also provides relief of 80% of the fuel charge for natural gas and propane used to heat an eligible greenhouse.

Private member's Bill C-234 would expand fuel-charge relief to farmers by modifying the definition of eligible farming machinery to include grain dryers and property used to heat or cool a building or similar structure. It also seeks to expand relief by adding natural gas and propane to the current list of qualifying farming fuels.

Private member's Bill C-234 is being studied while, on June 9, another government bill, Bill C-8, received royal assent.

Recognizing that many farmers use natural gas and propane in their operations, Bill C-8 introduced a refundable tax credit in order to return a portion of fuel charge proceeds to farm businesses operating in backstop jurisdictions—Manitoba, Ontario, Saskatchewan and Alberta—starting with the 2021-22 fuel charge year.

If fuel charge relief for farmers were extended through Bill C-234, farmers in backstop jurisdictions would receive double the compensation by benefiting from the refundable tax credit included in Bill C-8, while also being almost fully relieved from the fuel charge. Such double compensation would come at the expense of households or other sectors in those provinces.

[Translation]

Through the refundable tax credit, the total amount to be returned is generally equal to the estimated fuel charge proceeds from farm use of propane and natural gas in heating and drying activities in backstop provinces. This ensures that all the proceeds collected from this farming activity are returned to farmers. It is estimated that farmers will receive \$100 million in the first year, with this amount expected to increase as the price on carbon pollution rises.

The refundable tax credit is designed to allocate total fuel charge proceeds according to farm size, as measured using total farm expenditures. In this manner, the credit aims to help farmers transition to lower-carbon ways of farming by providing support to farmers, while also maintaining the price signal to reduce emissions.

[English]

This is a different approach than that proposed in private member's Bill C-234. Bill C-234 would directly relieve fuel charges on natural gas and propane used in eligible farming activities and thus would completely remove the price signal intended by the carbon pricing regime.

I would like to conclude by noting, as mentioned already, that I'm joined today by my two colleagues, Jenna Robbins and Gervais Coulombe. We would be very happy to answer your questions.

Thank you.

**The Chair:** Thank you very much, Mr. Jovanovic.

Right now, we're going to turn to Ms. Kim from the Department of Agriculture and Agri-Food.

**Ms. Natasha Kim (Assistant Deputy Minister, Strategic Policy Branch, Department of Agriculture and Agri-Food):** Thank you very much, Mr. Chair.

Good afternoon, everyone.

Thank you for inviting us in relation to this study.

I'd like to begin by acknowledging that I am speaking to all of you today from the traditional and unceded territory of the Algonquin and Anishinabe people.

As you mentioned, I'm joined by my colleague Marco Valicenti, director general, from our department's programs branch.

As members are well aware, climate change is one of the greatest challenges of our time. We only have to look to the devastating droughts and floods in western Canada last year to know that Canadian farmers and ranchers are on the front lines of that fight against climate change. However, they're also playing a very significant role as part of the climate solution. Canadian farmers are already taking action through practices such as zero tillage, precision agriculture and crop rotation, and our natural prairie grasslands store a vast amount of carbon while providing feed for grazing livestock.

Over the past few decades, farmers have doubled the value of their production without substantially increasing greenhouse gas emissions, but while this progress is significant, the Government of Canada and agricultural producers recognize that there's more work to do.

• (1650)

[Translation]

The government needs to ensure that farmers have the tools they need to increase their production sustainably to feed a growing population in Canada and around the world.

Agriculture and Agri-Food Canada is actively engaged on many fronts to support the agricultural sector in reducing emissions, from scientific research to direct support for farmers across the country through program and policy initiatives.

Over the past year and a half, the government has committed \$1.5 billion in new funding to help farmers reduce their carbon emissions through sustainable practices and technologies.

[English]

In particular, I'd like to highlight that budget 2022 proposes to triple federal investments in the agricultural clean technology—or ACT—program, while also expanding the agricultural climate solutions program's on-farm climate action fund.

AAFC recently set aside \$50 million under the ACT program, with a specific focus on grain-drying technologies; \$10 million was allocated to focus on powering farms with clean energy. Already, this key program has supported 110 projects announced across Canada, with a total investment of over \$33 million, including for solar panels, precision agriculture and energy-efficient grain dryers.

These investments complement economy-wide initiatives such as the price on pollution. The price on pollution continues to be an important tool in a suite of measures to support Canada's climate targets and, as has been referred to earlier, it has been calibrated and limited in terms of its on-farm application.

Thank you for your time. I hope this information has been helpful. I'll now be happy to take any questions with my colleague.

Thank you.

**The Chair:** Thank you very much, Ms. Kim.

I know that there are officials here from Environment and Climate Change Canada. I believe it's Ms. Meltzer and Mr. Moffet.

I see that you're online. If you're able to turn on your cameras, my understanding is that you're happy to take questions; there was just no opening statement from ECCC.

We will turn to questions now.

Mr. Barlow, I have you up first for six minutes.

**The Vice-Chair:** Thank you very much, Mr. Chair.

Thanks to the officials for being here.

I appreciate the comments by Ms. Kim and Mr. Jovanovic about the importance of the fact that farmers have the tools to increase yield and feed the world, but it's difficult for farms to invest in new technology and new innovation if they aren't economically sustainable. Burdening them with new taxes makes it difficult for them to do those things, when of course they want to do everything they possibly can to improve efficiency and protect their environment.

My first question would be for Mr. Jovanovic.

The message we get from the government is that the carbon tax is revenue neutral. Is the carbon rebate revenue in Bill C-8 neutral for farmers? Do they get everything they've put into the carbon tax returned to them through the rebate in Bill C-8?

**Mr. Miodrag Jovanovic:** Thank you for your question.

That is the objective, yes, and that's how the measure is being designed, and that is how the rates are determined as well, so—

**The Vice-Chair:** Okay. You're saying that is the objective, but my question is, is it in fact? You've gone through one tax year now with Bill C-8. Can you tell me if farmers are whole as a result of what they've paid in the carbon tax and what they're getting through the rebate in Bill C-8?

**Mr. Miodrag Jovanovic:** The initial process is based on an estimate.

First, there's an estimate of the amount of fuel charge that will be paid by the sector. This estimate is \$100 million for 2021-22, and I think it's about \$122 million for 2022-23.

**The Vice-Chair:** Okay.

**Mr. Miodrag Jovanovic:** That amount is being provided or given back to the sector through this refundable credit on the basis of their total expenses.

**The Vice-Chair:** Okay. So—

**Mr. Miodrag Jovanovic:** Then a reconciliation exercise will be done, I believe, maybe two years after—

**The Vice-Chair:** Great. I'm sorry. I have to ask some other questions.

We've heard even from my esteemed Liberal colleague, whom I have a great deal of respect for, that from talking to his farmers and his accountants, the best they've seen is that farmers are getting a third back. We've heard from farmers in Ontario that they're getting about 13% to 15% back.

That is a long way from being the objective of what farmers and Canadians have been told, namely, that the carbon tax is revenue neutral. Obviously, through Bill C-8 and the rebate program, it is nowhere near revenue neutral. Farmers are having to pay to transition to another source that does not exist. You're asking farmers to transition to something that physically is not reality. So (a), they're being misled by being told the carbon tax is revenue neutral, and (b), you're asking them to transition to something that in reality does not exist.

Where does this equation come from that it would be \$1.73, I think, per \$1,000 of eligible expenses? You're saying the objective is to be revenue neutral, when you've come exceedingly short of that. Where does that equation come from?

• (1655)

**Mr. Miodrag Jovanovic:** I think it's important to clarify revenue neutral. The concept of revenue neutrality here is on an aggregate basis. Again, the approach that has been determined as preferable by the government is to look at the envelope, the total amount of fuel charge paid by the farming sector—as I said, an estimated \$100 million for 2021-22—and give that money back to the sector in an equitable manner, in a way.

For each farm, it would be based on the amount of total expenses. The intent is not to pay back what each farm paid. That's different. That's not the objective of this measure.

**The Vice-Chair:** Okay—

**Mr. Miodrag Jovanovic:** That would be the objective of an exemption, which is not the same thing.

**The Vice-Chair:** Thanks, Mr. Jovanovic, but when the promotional language from the government is that the carbon tax is revenue neutral, that means I'm getting back exactly what I paid into it. I appreciate that you're trying to spin this a bit differently, but that is not reality.

I'll cede the rest of my time to my colleague Mr. Epp.

**Mr. Dave Epp:** Thank you.

I'm going to continue on that very point.

I have the largest greenhouse sector in North America in my riding. Have you done any sector-by-sector analysis of the impact of the provisions under Bill C-8? That's what I'm hearing back, that the greenhouse sector is a very, very large user of fossil fuels, whereas some large vegetable farms, where they're heavily labour-dependent, would not be.

What I'm hearing you say is that this is not an equitable return. It's going to be a blanket-wide return. Am I understanding you correctly?

**Mr. Miodrag Jovanovic:** What I'm saying is that the objective of this measure is to return all of the fuel charges collected by the sector and return them to the sector while maintaining the price signal. In order to maintain the price signal, the metric that has been used to redistribute the money is total farm expenses for each farm. We recognize that this means that what some farms will get in return is less than what they paid and that some farms may get a bit more. That is the nature of the approach that has been chosen.

Again, it's different from an exemption. The intent of this credit is not to try to replicate what an exemption would do. It's just a different principle; it's a different approach.

**Mr. Dave Epp:** What is the thought process behind picking winners and losers, either by sector or by individual farms and their structures? I'm looking for the inherent fairness. Those are the questions that I'm being asked.

**The Chair:** Mr. Epp, we are at time.

Mr. Jovanovic, if you want 20 seconds to take that, great. If not, we can move on.

**Mr. Miodrag Jovanovic:** I'm not going to take this one in a few seconds, if you don't mind.

**The Chair:** Okay.

Mr. Turnbull, it's over to you for six minutes.

**Mr. Ryan Turnbull (Whitby, Lib.):** Thanks, Chair.

Thanks to all of our witnesses for being here for this important conversation.

Mr. Jovanovic, I'll start with you. You said in your opening remarks that a double payment could result from Bill C-234 getting passed in addition to having the rebates that have already been passed through Bill C-8. You said that this could come at a cost to households, if I'm not mistaken. I think that's what you said.

Could you clarify what you meant by that?

**Mr. Miodrag Jovanovic:** If more is being provided specifically to farming, it has to come from somewhere. Because the GGPPA legislation is such that all the proceeds received from the fuel charge is returned to the jurisdiction, in this case we know that about 90% is returned to individuals through the climate action incentive payments and the rest is used, in part, in this case, to give back to farms through this credit.

If you give more to farmers, it has to come from somewhere, so it will be coming from climate action, basically resulting in lower climate action incentive payments to families. That's what it means.

• (1700)

**Mr. Ryan Turnbull:** Thank you for that clarification. That's helpful. We certainly want to avoid double payment at all cost, I'm sure.

I'll move on to another question, about understanding the real impacts of the price on pollution related to farm viability. We've heard from the farming community and stakeholders about the increasing cost to farmers and the result of the price on pollution, often referencing tens of thousands of dollars on top of the already high cost for fuel that's needed to dry grain. However, in previous testimony on Bill C-206, the Pembina Institute stated:

...the impact of the cost of carbon pricing in relation to grain drying, which is not exempt, ranges from 0.05% to 0.38% of net operating costs for an average farm, equivalent to \$210 to \$774.

This is a lot less than what some stakeholders have told us. I'm not saying that I would know the difference, but I'm wondering whether we can get some clarity from you or Ms. Kim as to how much the price of pollution is really affecting farm viability. Do we know that, especially for grain drying?

Thank you.

Mr. Jovanovic, I'll go to you first.

**Mr. Miodrag Jovanovic:** What we know is that the refundable tax credit will provide for the first year about \$820 per farming business. That is the average. We are returning all of the proceeds,

so that would be roughly equivalent to the average fuel charge that's paid by these businesses.

There is a lot of variability around that average, as you can imagine, based on the size of the business. There is also a lot of variability based on the type of production. Again, we recognize that this is the average, but yes, it's about \$820.

**Mr. Ryan Turnbull:** Thank you for that.

I would like to go to Environment and Climate Change Canada and Mr. Moffet, if possible. With regard to potential to slow innovation and investment in the clean energy transition, do you think an exemption for farm fuels for heating, cooling and grain drying in the agricultural industry would slow the uptake of new innovations for renewable energy?

**Mr. John Moffet (Assistant Deputy Minister, Environmental Protection Branch, Department of the Environment):** I apologize. I'm not really equipped or appropriately placed to provide advice about recommended policy direction. We're available to provide commentary on the way existing policies work, or the background rationale for policy.

**Mr. Ryan Turnbull:** Okay.

Ms. Kim, you mentioned the uptake of new innovative technologies across the agricultural industry. Do you think offering an exemption like this removes the incentive for a lot of the changes and the transition that we want to see across the agricultural industry?

**Ms. Natasha Kim:** As I mentioned in my remarks, there is suite of tools that we look at as we look toward the future and our climate objectives. I mentioned one of them, the agriculture clean technology program, which supports both research and development in this space as well as adoption on the farm.

For that I might turn to my colleague Marco who can offer a bit more detail on what we're seeing in that program.

**Mr. Marco Valicenti (Director General, Innovation Programs Directorate, Department of Agriculture and Agri-Food):** Thanks very much, Natasha.

Yes, as a reminder, in the context of the ACT, there are three main objectives. The first is the key, namely green energy and energy efficiency, where we're looking at grain drying technologies and supporting grain dryer purchases by producers, as well as for barn heating.

We are looking at new alternatives. I think biomass was mentioned earlier. We are seeing quite a few applications coming through to us for the purchase of biomass, as well as for other tools that are reducing the cost for producers, whether it's in the context of lower propane use or natural gas. We're looking at a mix of different products.



I'll say that we have a research and innovation stream as part of the program, where we are seeing grain drying technologies or grain drying companies coming in and looking at new technologies, not necessarily just for today, but also tomorrow.

• (1705)

**Mr. Ryan Turnbull:** Thank you.

[*Translation*]

**The Chair:** Thank you, Mr. Turnbull and Mr. Valicenti.

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

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

I want to thank the witnesses for taking the time to be here today.

Mr. Jovanovic, I am trying to understand the exemption principle in the economic and budget update implemented by Bill C-8. I will summarize it and you can tell me if I have understood correctly.

Essentially, you will return all the monies collected from the carbon tax, but not necessarily to those who paid them. It will be prorated according to expenditures.

What are the criteria? How is it determined? It is important to know this.

You talked about a double exemption, but that confuses the matter. I am trying to understand what you said about this.

**Mr. Miodrag Jovanovic:** We calculate the total amount collected, which was \$100 million for the first year. Now we have to determine how to redistribute that money, the basic principle being equitable redistribution that does not affect the price signal. It is similar to the approach used for the carbon incentive, where money is returned to families simply on a per capita basis. We do not try to determine whether a family has actually paid a lot of carbon tax.

It is a similar principle. The idea is not to provide an exact credit, which an exemption would have done. Had that been the case, the exemption would have been more effective than a credit. It is simply a different approach.

We recognize that this returns money to the sector, without affecting the price signal. On the other hand, one of the consequences is that certain farms will not receive what they paid and others will receive more.

**Mr. Yves Perron:** I am not necessarily trying to contradict you, but we have not heard from a lot of people who received more than they paid. I do not know if my colleagues know any people in that situation, but I do not know any. There could be some. That is why I am asking the question.

If Bill C-234 were passed and there were a double exemption on a certain portion, do you think that could be changed quickly, in the economic and budget update, for instance?

**Mr. Miodrag Jovanovic:** Legislative changes would be needed to solve the problem, to ensure that there is just one approach in the system, and not both of them.

**Mr. Yves Perron:** Okay.

Let us return to the principle of the research and development incentive, which would give farmers some breathing room.

I do not want to pass judgment, but if we give money to agriculture, it will mean cuts for other departments. Obviously, funding is limited. On the other hand, all the statistics I have seen and everything I have heard from people in the farming sector indicate that the level of agricultural support provided by Canada is half of what the United States provides. If you compare that with Europe, the ratio is even higher.

Is that correct? Do you have any figures on that?

**Mr. Miodrag Jovanovic:** I think the question is really for Agriculture Canada officials.

**Mr. Yves Perron:** Yes.

**Ms. Natasha Kim:** Thank you, that is a good question.

Well, there are OECD studies and analyses available, for instance, that compare the level of support in various countries. I do not have the figures with me today, but I could forward them to the committee later on.

**Mr. Yves Perron:** The Union of Agricultural Producers provided the figures I mentioned. It would be very helpful to get the data. That would enable us to offer more incentives.

I am not sure who can answer my question. As to improving environmental performance, we agree with the principle of the carbon tax when there is an alternative in the short-term. In this case, it appears that there are few if any alternatives, and that they are very expensive.

Should there also be more specific financial incentives to recognize measures farmers have already taken and to encourage them to do more? We talked earlier about protected riparian strips, crop rotation and cover crops.

Does anyone have anything to add in this regard?

• (1710)

**Ms. Natasha Kim:** I can add something.

As I said with regard to support measures in other countries, the tools are different. They cannot always be compared. That said, to recognize good farming practices in Canada, there are possible measures. My colleagues from Environment and Climate Change Canada could talk about the possibilities of a compensation system related to new markets.

**Mr. Yves Perron:** Okay.

**The Chair:** I am sorry, Mr. Perron, but your time is up.

Thank you, Ms. Kim.

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

[English]

**Mr. Alistair MacGregor:** Thank you, Mr. Chair.

Maybe I'll start with the Department of Finance, and Mr. Jovanovic.

Would you agree with me that one of the main purposes of the design of a price on carbon is to use that market mechanism—a price signal to incentivize a change in behaviour? Would you agree with that?

**Mr. Miodrag Jovanovic:** Yes, I agree with that.

**Mr. Alistair MacGregor:** Great.

I remember being here in the 42nd Parliament when we were debating Bill C-74. That was the budget implementation act, if I remember correctly. Within that bill was the Greenhouse Gas Pollution Pricing Act.

I'm trying to understand this. In the act, the drafters did take the time and effort to spell out what eligible farming activities are, what eligible farming machinery is and what a qualifying farm fuel is. Why do you think the drafters took the time to carve out those specific exemptions in the parent act?

**Mr. Miodrag Jovanovic:** As a starting point, the B.C. system was used as a basis for a model to develop the GGPPA. The other thing I would note on the GGPPA and the general approach by the federal government with respect to climate change is that there is obviously a recognition that, in the economy, there are sectors and businesses, such as farming, that are more sensitive to a fuel charge, for instance, because they are trade exposed, and maybe also because they don't have lots of opportunities and technologies available.

If you look at the way it's done, whether through the OBPS or through very specific exemptions, you see that the general approach used is basically for these sectors to try to reduce the overall incidence of the carbon pricing so that it is easier, over time, for the industry to absorb it. It's not so much—

**Mr. Alistair MacGregor:** I'm sorry, I have limited time. Very quickly I want to pick up on a point you made you mentioned or recognized the fact that there is a lack of available technology I would agree with you on that.

When you see the exemptions, they include tractors. I think there is a realization that we don't yet have a commercially viable alternative to the kind of horsepower that a massive diesel tractor can bring to an operation.

We're hearing the same arguments from farmers about grain dryers. We have had that confirmed by organizations like the Agri-Food Innovation Council, who have said that a commercially viable alternative to current grain dryers allowing a transition off natural gas or propane is probably 10 years away.

I'm trying to hold both of these examples up. Why wouldn't grain drying be an acceptable change to the legislation, to your mind?

**Mr. Miodrag Jovanovic:** The approach taken with respect to natural gas and propane used for heating and cooling buildings is the refundable credit. There is an acceptance by the government

that the money is to be returned directly. The question is how, and what principle to use to support that return.

My point is this: If one approach is used to return the charge on motor fuels, which is the exemption approach, that doesn't necessarily mean that the same approach should be used across the board. That's the general point.

Why? It's because there is a desire to somehow maintain a certain degree of a price signal. I think that's why this approach has been used.

● (1715)

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

I'll turn to AAFC now. I think that's you, Ms. Kim and I think you did touch on this.

On that last comment I made, we did have that testimony from the Agri-Food Innovation Council, which did talk about how commercially viable alternatives to natural gas and propane, specifically for grain drying, are about a decade away.

You were mentioning some of the emerging technologies. How is the government helping speed this process along so that farmers do have a wide range of alternatives to pick from?

**Ms. Natasha Kim:** That's a great question.

I might just note, in case it's of help as well, that when we look at total expenses on farm, heating fuel tends to be a very small percentage for most farms. It's around one per cent or less, actually. Greenhouses tend to much higher in energy use, of course. I say this just in case it would be helpful to the committee.

In terms of alternatives, we have a suite of different programs. Marco had touched upon the agriculture clean technology program, which looks at both R and D as well as adoption on farm. We have our AgriScience program, which is an industry partnership where we look at opportunities for things like more efficient poultry heating in barns.

There are different ways that we look to develop those alternatives.

**Mr. Alistair MacGregor:** Thank you. I'll leave it there, Mr. Chair.

**The Chair:** Thank you, Mr. MacGregor.

We'll now turn to our second round of questioning.

I believe we're going to start with Mr. Barlow for up to five minutes.

**The Vice-Chair:** Thanks, Mr. Chair.

I have just a couple of quick questions; then I'll turn it over to my colleague, Mr. Falk.

Mr. Jovanovic, I want to just confirm that you said the average rebate for a farm was \$820 a year. Is that per farm or is that per household?

**Mr. Miodrag Jovanovic:** That's per farm. It's \$820 for the first year.

**The Vice-Chair:** That is interesting. I have a constituent who spent \$11,000 in one month to heat his poultry barns during the winter.

I would hope that if Bill C-234 were to pass, the government would take a look at maybe repealing Bill C-8, so we don't have that overlap, or as you would like to put it, double dipping and somehow taking funds away from households.

If farmers right now are getting a 15% to 20% return, are you now saying that farming is subsidizing the carbon tax rebates for homes? Wouldn't that make sense?

**Mr. Miodrag Jovanovic:** If you don't mind, I'm just going to correct something here. My understanding is the 15% to 20% return is for a very specific type of farm. It's probably a grain farm for a grain dryer, because if you look at the aggregate—

**The Vice-Chair:** Right, grain farmers do the grain drying.

**The Chair:** Mr. Barlow, excuse me. I've stopped the clock.

I just want him to be able to finish. I appreciate that you have your time, but Mr. Jovanovic, please go ahead.

**Mr. Miodrag Jovanovic:** The return is 100%. For some types of farms, it may represent less than 100% and for some others it may represent more because it's an average.

The whole amount of fuel charge receipts collected from farmers is being returned to farmers. On an aggregate basis, we return 100%.

**The Vice-Chair:** Well, it's too bad that you're trying to pick winners and losers and not making them all whole with this. Obviously, Bill C-234 would make sure everybody's on a level playing field.

I'll turn the rest of my time over to Mr. Falk.

Thanks, Mr. Chair.

**Mr. Ted Falk:** Thank you very much.

Ms. Kim, I'd like to just ask you a few questions.

You're from the Department of Agriculture. Do you believe that farmers would incur the costs of heating barns or drying grain unnecessarily?

**Ms. Natasha Kim:** Certainly, heating barns and drying grain is part of the operations of farmers. As we've heard during this meeting, there is obviously an incentive built into the operations to seek to keep costs down. I think the natural economic leanings would be towards being prudent with those costs.

• (1720)

**Mr. Ted Falk:** You're not answering the question, Ms. Kim. I asked you if they would heat it unnecessarily. That's a yes or a no question.

**Ms. Natasha Kim:** I would not think so, Mr. Falk.

**Mr. Ted Falk:** No, I wouldn't think so. Right now for drying grain, natural gas or propane is principally used, as it is for heating barns. Are there any viable alternatives in Manitoba and Saskatchewan?

**Ms. Natasha Kim:** I think we've already touched on a few of those alternatives. They may be more energy efficient in terms of cutting costs. Alternatives are also being developed.

If more detail is required, I'm happy to turn it over to my colleague, Marco, who can give a better sense.

**Mr. Ted Falk:** I'll move to the Department of Finance and Mr. Jovanovic.

You indicated that the average farm entity incurs about \$800 a year in carbon tax expenses. I don't know what kind of farms you would be referring to, but I've talked to broiler farmers and hog farmers in my riding, and they're incurring costs of \$10,000 plus per year. These are not overly large farms.

Do you think what you've represented to this committee—that these farmers are double dipping—is really fair?

**Mr. Miodrag Jovanovic:** I think these are two different questions.

The first question is whether our estimate is correct. We look at Statistics Canada and the tax data. We have this assessment. We assess there was about \$100 million in fuel charges collected in 2021-22 from the farming sector, and now we want to return that. What we find with the rates we have—

**Mr. Ted Falk:** That \$800 you're rebating is a rebate given to every household, right?

**Mr. Miodrag Jovanovic:** No, this is the refundable tax credit for farmers. It's based on what farmers paid. We just return that amount to farmers.

**Mr. Ted Falk:** Is it not based on individual farms?

**Mr. Miodrag Jovanovic:** Each individual farm with expenses.... Again, the threshold is \$25,000. Any farm with more than \$25,000 in expenses can claim that credit at a rate of \$1.47 for 2021-22, for each \$1,000 of expenses.

That's a fact. That's just the way it's designed. It's based on the estimates we have, so—

**The Chair:** Thank you, Mr. Jovanovic.

Thank you, Mr. Falk.

We're now going to turn to Ms. Taylor Roy.

I believe you and Mrs. Valdez might be splitting the time, so I'll try to signal halfway.

Whoever would like to start first may start.

**Ms. Leah Taylor Roy:** Thanks.

I'm actually going to give half of my time to Mr. Turnbull. He has a lot of questions he didn't get to ask. I'm fine with that.

**Mr. Ryan Turnbull:** Thanks to my colleague.

I will go back to Mr. Jovanovic.

You talked about how maintaining the price signal was the approach taken, rather than offering an exemption. This was in response to Mr. MacGregor's questions. I guess this goes back to my earlier question posed to Mr. Moffet. He didn't really give me a response. Maybe I'll pose it to you.

If we exempt farmers, doesn't that disrupt the whole market mechanism of the price on pollution? What, then, is the incentive to actually change practices and adopt new renewable energy sources on farms? Isn't that a concern you would share?

**Mr. Miodrag Jovanovic:** Yes, the result would be no more price signal in that particular sector of the economy. The result would be that most, if not all, of the emissions would not be covered by any carbon pricing.

**Mr. Ryan Turnbull:** Wouldn't we expect, then, GHG emissions to increase, as a result of the price signal being removed?

**Mr. Miodrag Jovanovic:** I'm not sure I can answer that directly. Yes, it would, conceptually, but it depends on the evolution of technologies. It's difficult to say yes or no, in this case—not understanding what the future will look like. Clearly, what it would do is remove that incentive to act sooner, for sure.

**Mr. Ryan Turnbull:** Removing the incentive to act sooner would slow down the progress we're trying to make in energy transition. The adoption of different practices, especially in relation to heating barns and greenhouses, as well as grain drying, would all be affected. This approach would slow the progress down.

Is that your sentiment?

• (1725)

**Mr. Miodrag Jovanovic:** It's all in the relative price of things. If technologies become available, but they're a bit expensive, and if there's no carbon price at all, you're going to wait longer, because you're going to wait until prices decrease. If there's a carbon price, that creates an incentive, because you already have a cost not to act. It pushes you toward acting sooner.

**Mr. Ryan Turnbull:** Thank you very much.

I'll hand the time over to Mrs. Valdez.

**Mrs. Rechie Valdez:** Thank you.

I appreciate the witnesses being here today.

These questions are for the Department of Agriculture.

How would the introduction of Bill C-234 affect our current goals and progress in meeting our emissions targets and having a greener economy?

**Ms. Natasha Kim:** Thank you for the question.

I should perhaps start by noting that the Greenhouse Gas Pollution Pricing Act, as mentioned in the opening remarks, actually has a fairly limited application on farm in terms of the emissions, be-

cause, as I'm sure the committee is aware, most agriculture emissions do come from biological sources or from fertilizer, in fact. So when we look at on-farm full fuel use, that's about 13.4 megatonnes based on the latest estimates, which is about 20% of agriculture emissions in total.

In terms of the application of the exemption, that would reduce the application of the price signal, as my colleague Miodrag was just speaking about.

**Mrs. Rechie Valdez:** Thank you.

In 2021 the government announced the \$550 million that would be directed toward Canada's agriculture sector to meet our emissions targets and capture new opportunities in the green economy. Can you share any updates on this or any outcomes from this effort?

**Ms. Natasha Kim:** I apologize. Can you repeat which program you were talking about?

**Mrs. Rechie Valdez:** Sure. It was announced in 2021. It's the \$550 million that will be directed to our agriculture sector.

**Ms. Natasha Kim:** In 2021 we did launch a couple of new programs that were about \$550 million. There was \$200 million for agricultural climate solutions—the on-farm climate action fund. This is to support farmers in the adoption of what we call “beneficial management practices” that can help reduce their emissions, but also often increase resilience to climate change on farm as well.

There's also a stream of that program called “the living labs”, which is a network of living farms on which we work with producers and our scientists to test some of those practices on farm.

**The Chair:** Thank you, Ms. Kim. I apologize, but that's time. I even gave you a few extra seconds.

Thank you, Ms. Valdez.

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

[Translation]

Mr. Perron, you now have two and a half minutes.

**Mr. Yves Perron:** Thank you very much.

Mr. Jovanovic, do you think the tractor fuel exemption in the first version of the carbon tax slowed down the transition?

**Mr. Miodrag Jovanovic:** As I said before, initially we copied the model used in British Columbia. The approach sought to reduce the overall impact on the sector...

**Mr. Yves Perron:** I have to interrupt you because I just have two and a half minutes of speaking time.

That decision was made because there were no short-term alternatives. According to the testimony we are hearing, there are no solutions for grain drying in the short term either.

So why was grain drying not included in the first version of the exemptions? I am trying to understand the logic behind it.

**Mr. Miodrag Jovanovic:** I do not think the logic was that straightforward.

Perhaps my colleague Mr. Coulombe can elaborate on that.

**Mr. Gervais Coulombe (Senior Director, Excise Taxation and Legislation, Sales Tax Division, Tax Policy Branch, Department of Finance):** Thank you, Mr. Jovanovic.

The Greenhouse Gas Pollution Pricing Act was developed between 2015 and 2018. We followed the basic model of British Columbia's carbon tax. We also looked at what the other provinces and territories in Canada that had carbon pricing were doing.

To my knowledge, a portion of the fuel emissions used in Quebec, related to the cap-and-trade system, can be included. There is no mechanism to remove a portion attributable to agriculture. The federal exemption for eligible farm machinery was already more generous than certain systems and was also as generous as the one in British Columbia. There was a sense of justice...

• (1730)

**Mr. Yves Perron:** I would just like to ask you a question quickly, Mr. Coulombe.

**The Chair:** I am sorry, Mr. Perron, but your time is up.

I am usually very generous, but your speaking time is up.

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

[*English*]

**Mr. Alistair MacGregor:** Mr. Jovanovic, I'd like to continue with you.

In your last exchange with Mr. Turnbull, he was saying that if Bill C-234 were to receive royal assent, we could be removing an incentive for farmers to try to transition to different technology. If we take that same logic and apply it to the exemptions that exist in the Greenhouse Gas Pollution Pricing Act, does that mean then, rhetorically, that the government gave up on incentivizing a change in technology when it passed Bill C-74?

The government at the time I think recognized that there were no commercially viable alternatives. That is why they specifically spelled out what eligible farming activity is, eligible farming machinery, what a qualifying farm fuel is. They listed them. There's a farm truck or a tractor—the farming machinery on a farm for the purposes of farming. There's a recognition of that.

My question for you, though, is this. We have those exemptions that already exist, but are there not other financial tools and other ways that the government has at its disposal to incentivize changes in behaviour while recognizing that there are no commercially viable alternatives?

**Mr. Miodrag Jovanovic:** Well, generally the best tools, the most effective tools, remain imposing a price on carbon. Depending on

the sensitivity of the sectors and, as you say, the availability of technologies, you may have a more gradual approach to introducing such carbon pricing.

When this was introduced at the federal level, the main consideration in play—because there were already systems in place at the provincial level—was how we could introduce a system that could be smoothly introduced into a system that was already existing at the provincial level. Therefore, looking at B.C. as a starting point and as a model, and, as my colleague mentioned, with respect to farming activities, it was such that it would be as generous as the one applied in B.C., and a bit more generous than the one applied in Quebec, for instance. That was seen at the time as a good approach, basically.

I don't think that at the time the logic was to say, "Well, we agree, and this is specifically because there are no alternatives for these specific sectors." It was a broader kind of question.

**The Chair:** That's the time, Mr. MacGregor and Mr. Jovanovic.

Colleagues, I'm just going to ask one question.

Mr. Jovanovic, I assume that the Department of Finance would have an analysis of this particular private member's bill in terms of its cost—and I don't mean a cost to the government treasury. As you were mentioning in some of your testimony, of course, the government is levelling a price on pollution on these particular fuels that are not exempted right now. That means that ultimately there would be a cost and an impact to the overall aggregate of what is collected in the province of choice where the federal backstop applies.

Do you have analysis of what this would actually cost across the country versus the price not being collected on these particular fuels?

**Mr. Miodrag Jovanovic:** Well, presumably the cost would be similar to the cost of Bill C-8, since Bill C-8 is returning everything that is being paid.

**The Chair:** So the position of the Department of Finance is that essentially Bill C-8 is rebating every single dollar that would otherwise be getting charged right now in the pricing scheme in the particular province of choice under federal backstop legislation.

**Mr. Miodrag Jovanovic:** I would say that on an aggregate basis for these four provinces, because it's an aggregate approach, yes.

**The Chair:** Okay.

Basically, just so I'm sure, you mentioned that it was about \$101 million in last year's budget, and I think you might have quoted \$122 million. Essentially, the Department of Finance's estimates is that what is collected in those provinces on these fuels where the price still applies right now would be exactly equivalent to Bill C-8.

• (1735)

**Mr. Miodrag Jovanovic:** We have not—I mean, I can turn to my colleague Monsieur Coulombe again—but I don't think we have a specific estimate for Bill C-234. But again—

**The Chair:** That's okay. I'm indulging a bit of time from my colleagues. If those analyses come, I think the committee will welcome having that.

Mr. Barlow was talking about revenue neutral.... Mr. Jovanovic, I hear where you're coming from. The program writ large is revenue neutral and Bill C-8 is trying to create an industry-specific carve-out. We appreciate the different approaches.

Thank you so much for that.

Colleagues, that ends our preliminary meeting on Bill C-234. I have a couple of reminders to give. I'll need your indulgence on a few matters.

Thank you to our witnesses. We really appreciate the work that you do. Thank you for joining us here today to give additional context, as Mr. Lobb gave us the intention in the first hour.

Colleagues, there are a couple of things. On Monday, we'll be studying cannabis vis-à-vis agriculture. Mr. MacGregor brought forward that suggestion. The clerk is working to have the witnesses lined up. We'll have a notice of meeting out shortly.

We have started our global agriculture food insecurity study. We're running out of runway here before we break for the summer. I've talked to all of you collectively about the desire to put in a letter to the Minister of Agriculture—we'll cc other requisite ministers—on what we've heard and to give some key recommendations that this committee feels are important.

I would ask your permission to proceed by having you provide any recommendations to the clerk and, ultimately, to the analysts by tomorrow at midday. The analysts will then provide a copy of the

letter, along with what we've heard and the recommendations. We will seek your feedback via email, and then I would ask for your indulgence for some discretion to work with the clerks to be able to have something put out before we break for the summer or shortly thereafter, so that we don't have a gap between now and September.

I've talked to all of you. This shouldn't be a problem.

**Mr. Francis Drouin:** Mr. Chair, the only thing I'd say is let's keep what we've heard to what we've heard. It's not necessarily recommendations, but “here's what we've heard”. The government may think of doing this based on the witness testimony. It's so we don't have a back-and-forth for three weeks.

**The Chair:** Fair enough. As I've talked to the other folks, I think it would be nice to have a few things. We will stay, generally, within the confines of what we've heard. I'm happy to work with all the folks here to make sure it reflects your wishes, and keep this committee functioning as well as it has been since the start.

Thank you, Mr. Drouin.

Mr. Turnbull, please be quick.

**Mr. Ryan Turnbull:** To clarify, are we to send our recommendations by tomorrow?

**The Chair:** We would ask that if you have recommendations, to send them to the analysts. They're going to prepare something.

You will still have an opportunity, once the letter to the minister, along with some of what we heard.... You will have some editorial ability to do that via email. Of course, we're not going to have the opportunity to get back in person to have the same level of a draft report that we usually would.

I think, having talked to all of you, that this is extremely important. We don't want to have a gap in the summer. This is a fluid issue. It's really important. Providing some context and some suggestions back to the government is part of our parliamentary function, so I appreciate your indulgence on that.

We will see you Monday. Thank you.

The meeting is adjourned.









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