



Canadian Canola Growers Association and Canola Council of Canada

Submission to
Standing Committee on Environment and Sustainable Development

Clean Technologies in Canada

October 5, 2022

The Canadian Canola Growers Association (CCGA) and Canola Council of Canada (CCC) appreciate the opportunity to participate in the Standing Committee on Environment and Sustainable Development's study on Clean Technologies in Canada.

CCGA represents 43,000 canola farmers from Ontario to British Columbia on national and international issues, policies and programs that impact their farm's success. CCGA is also an official administrator of the federal government's Advance Payments Program (APP). CCC represents the full canola value chain that includes seed developers, farmers, processors, and exporters of canola.

Developed in Canada, canola is a hallmark of Canadian science and innovation and a foundational crop on most Western Canadian grain farms. Today it is Canada's most widely seeded crop and is the largest farm cash receipt of any agricultural commodity, earning Canadian farmers \$12 billion in 2021. Annually the canola sector provides \$29.9 billion to the Canadian economy and provides for 207,000 full time Canadian jobs. Exports drive canola's success – more than 90% of all canola grown in Canada is exported as seed, oil, or meal. Exports of canola were valued at \$13.7 billion in 2021.

CCGA and CCC have been supportive of well-designed biofuel policies, specifically related to diesel fuel, in Canada for over two decades. Renewable fuels are an existing and large-scale clean technology and are poised for near-term growth due to decarbonization policies in Canada and elsewhere. Renewable fuels standards and low-carbon fuel regulations are proven, effective policy tools to quantifiably reduce carbon emission from transportation fuels and strengthened and stable regulations may support regional economic development. Canola oil is a readily available, high-quality feedstock used in the production of biofuels, primarily in Canada, the United States and European Union.

CCGA and CCC has been monitoring the Standing Committee on Environment and Sustainable Development's study on Clean Technologies in Canada. As the Committee consolidates the testimony of its witnesses and prepares to draft its report, we would like to comment on three issues germane to the focus of this study, namely:

1. Canola's support for biofuels
2. Canada's Clean Fuel Regulation and Biofuel Production Incentives
3. Sustainable supply of canola

1. Canola's support for biofuels

Canola biofuels are renewable, reduce GHG emissions and have quantifiable environmental benefits. There are also economic benefits for Canada, increasing the market for canola and encouraging investment in processing.

CCGA, CCC and the Canadian canola industry have been working for over two decades on policies to modestly increase renewable content (in diesel) and further open domestic market opportunities for canola. It is an option with benefits for the environment, farmers, and the economy. Diversifying markets and growing domestic demand reduces trade risk and this has come to the forefront, clearly illustrated with trade disruptions with export markets in recent years. Over 90% of annual canola production is currently exported as seed, oil and

meal. Increasing domestic demand for canola as a feedstock for biofuels lessens the degree of dependency canola farmers have on exports and exposure to trade disruptions.

Diesel biofuels quantifiably reduce emissions. Greenhouse gas (GHG) emissions are measured over the full life cycle of growing, harvesting, manufacturing, distributing, and using biofuels. A life cycle assessment (LCA) is performed following internationally accepted LCA guidelines to quantify the lifecycle GHG emissions from a fuel, usually described as its "carbon intensity" score. Canola-based biofuel emits up to 90 per cent less greenhouse gas emissions than fossil diesel fuel.

While scientists and researchers look for cleaner technologies to power heavy duty vehicles in the future, today biofuels are the only viable, low-carbon energy alternative to power vehicles such as tractors, heavy-duty and transport trucks, buses, locomotives, and mining and forestry equipment.

Canada has set a bold target to reduce overall greenhouse gas emissions by 40-45% below 2005 levels by 2030. Biofuels are a clean technology currently with widespread deployment across Canada. Ensuring appropriately designed biofuel policies (including taxation policies) that incent their use, we can use today to help meet our GHG reduction targets immediately. Furthermore, implementing biofuel policies that enable the market-based decision to use Canadian agricultural products, such as canola, for biofuel feedstocks demonstrates farmer leadership and contribution in providing solutions to a greener Canada.

Biofuel investments support more value-added agri-processing, which in turn provides additional marketing options and opportunities for higher returns at the farmgate.

Since March 2021, there have been four, major announcements of investment in canola crush capacity in Western Canada. This will add approximately 5.7 million tonnes of new capacity to the existing 11.1 million tonnes, for an approximate capacity of 16.8 million tonnes, proposed to be coming online in 2025. Several of these announcements directly tied consideration of biofuels policies (in both Canada and the United States) as one element of this business investment decision. Concurrently, there have also been several major announcements regarding new renewable diesel production facilities in Canada (currently there are no facilities in Canada).

The economic spinoff of the construction and ongoing operation of these canola processing plants will be significant to Western Canada. The long-term impact for farmers will be the choice of marketing options it will create, and this will be generational. The last new processing build was in 2015 and this announcement of new activity demonstrably signals a shift in Canada from being near exclusively export-focused to now increasingly pursuing domestic use expansion in the form of value-added crushing and biofuel production in North America.

When canola seed is processed, there are two major products: oil (44%) and meal (56%). In 2020, 10.3 million tonnes of canola was processed in Canada, creating 4.5 million tonnes of oil and 5.8 million tonnes of meal. It bears noting that the second byproduct, the meal is a valued animal feed (e.g. a high-protein ration for dairy herd milk production, aquaculture, etc.). Each component has value, when we sell raw seed abroad, others are capturing the value of both.

2. Clean Fuel Regulations and Biofuel Production Incentives

Enable a growing biofuel industry in Canada and the use of Canadian feedstocks through a streamlined compliance process in the Clean Fuel Regulations that lessens administrative and commercial burden.

The Government's *Clean Fuel Regulations* (CFR) were published in *Canada Gazette II* on July 6, 2022 and come into effect on July 1, 2023. In our view, the CFR has the potential to increase domestic demand for diesel biofuels and Canadian canola as a biofuel feedstock, creating a sizable new market and lessening our reliance on exports, while meaningfully contributing to Canada's greenhouse gas reduction targets.

It is difficult to project with any certainty the future annual demand for canola as a biofuel feedstock under the CFR due to its complexity and the variety of compliance options (beyond biofuels) available to the obligated parties (producers or importers of fuels in Canada) to satisfy the regulation. The CFR baseline content requirement of 2 per cent will ensure a minimum level of consistent domestic demand. However, modelling suggests that under several scenarios the CFR could be a significant demand pull for canola seed as diesel fuel in Canada could approach 8-9% renewable content by 2030. The government's own regulatory impact analysis suggests diesel biofuel blends could reach 11% by 2030.

For Canadian canola to be utilized to its fullest potential in the CFR, compliance requirements on verification of origin and supply chain traceability of domestically harvested biofuel feedstock (such as canola) need to be streamlined, data-driven and recognize Canadian farmer's sustainable land use practices. It must be appropriate administratively and commercially for the bulk handling system that is the canola supply chain, without the need for additional onerous individual farm documentation and reporting. A more streamlined compliance process can incentivize more participation and ultimately contribute better to lowering GHG emissions and creating economic activity. Although the CFR has been published, Environment and Climate Change Canada is still working on guidance documents regarding the mechanics of compliance. These are stated to be ready in Spring 2023. In our view, with the phase in of the various regulatory elements, the effectiveness of the CFR, in terms of emissions reduction achievement and feedstock uptake, will not be able to be ascertained until 2025 at the earliest.

To match the demand signal that the CFR is expected to create for biofuels, other incentives are necessary to help enable biofuel production in Canada. Federal programs like the Clean Fuels Fund have attracted interest from potential biofuel investors, but sustained incentives will be required to ensure investments come to fruition and are competitive on the global stage.

This is especially true in the context of North America's integrated fuel market, where Canada competes with the U.S. for investment. The U.S. has a number of well-established programs, notably the Blender's Tax Credit, that have created a robust biofuels production industry. Earlier this summer, the U.S. Inflation Reduction Act introduced a suite of new measures, effective in 2025, including a Production Tax credits for biofuels such as ethanol, biodiesel, renewable diesel and sustainable aviation fuel.

Investment parity with the U.S. is key to unlocking Canada's full potential as a biofuels producer and ensuring Canadian agriculture feedstocks are used to reduce emissions right here in Canada. With investment decision-

making underway to meet market demand and compliance obligations, parity with the U.S., including comparable Canadian incentives, is needed now.

3. Sustainable supply of canola

The area of crop land seeded to canola and the eventual production harvested varies each year, based on individual farmer production considerations including market pricing, crop rotation requirements and other limiting economic and agronomic factors. The long-term trend is increasing production is driven by increasing per hectare / acre yield and this is reflected in the strategic plan of our value chain to produce 25 million tonnes in 2025 – on the same general size of land base.¹

In Canada, agricultural land expansion is not occurring on a net basis, in fact it is being reduced (due to factors such as taking marginal lands out of production and the spread of urbanization, etc.). Statistics Canada data illustrates that since 2000, Canada has reduced total seeded acres by 0.4% per year (and 8 million acres total reduction), while at the same time the 20-year yield trend for canola has increased by an average rate of 3% per year.²

Renewable fuel policies, such as the CFR, incorporate a policy element to safeguard against rampant agricultural land expansion and to protect ecosystems. The Land Use and Biodiversity (LUB) criteria clearly prevents the expansion of agricultural lands beyond what was in production in the baseline year, in this case 2020. **We view the sustainable supply of canola into the future as being able to meet food and fuel demand.**

Thank you for the opportunity to provide comments on the committee's study on Clean Technologies in Canada. Canadian canola farmers and the entire Canadian canola value chain are ready to contribute to growing a greener, more competitive, resilient Canada, capturing the value that comes from increased levels of domestic processing and biofuel production.

Sincerely,

[Original Signed By]

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¹ [Strategic plan for Canadian canola | The Canola Council of Canada](#)

² Statistics Canada, Table 32-10-0359-01