



Canadian Canola Growers Association and Canola Council of Canada

Submission to Standing Committee on Natural Resources

Low-Carbon and Renewable Fuels Industry in Canada

June 20, 2021

The Canadian Canola Growers Association (CCGA) and Canola Council of Canada (CCC) appreciate the opportunity to participate in the Standing Committee on Natural Resources' study on Low-Carbon and Renewable Fuels Industry 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, producers, processors, and exporters of canola.

Developed in Canada, canola is a hallmark of Canadian science and innovation and a foundational crop on most 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 over \$10.2 billion in 2020. 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 \$11.9 billion in 2020.

**CCGA and CCC have been supportive of well-designed biofuel policies, specifically related to diesel fuel, in Canada for two decades.** 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 Natural Resources' study on Low-Carbon and Renewable Fuels Industry in Canada. As the Committee consolidates the testimony of its witnesses and prepares to draft its report, we would like to comment on several issues addressed during this study, namely:

1. Canola's support for biofuels
2. The development of Canada's Clean Fuel Regulation
3. Sustainable supply of canola
4. Clean Fuel Regulation – impact on fuel price and canola price.

#### 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 two decades on policies to modestly increase biofuel 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 biofuel is 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. It is an actionable policy tool in Canada, that 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. Canada has set a bold target to reduce overall greenhouse gas emissions by 30% below 2005 levels by 2030. Due to its lower carbon intensity rating compared to petroleum diesel, for example if Canada had a 5% biofuel blending rate, the annual GHG emission reductions would be equal to removing 1 million cars off Canadian roads each year.

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

As noted in Committee testimony, 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 10.7 million tonnes, for an approximate capacity of 16.4 million tonnes, proposed to be coming online in 2024. 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.

The economic spinoff of the construction and ongoing operation of these 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 the 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

***Enable a growing biofuel industry in Canada by incentivizing the use of Canadian feedstock through a streamlined compliance process in the Clean Fuel Regulations.***

The Government's proposed *Clean Fuel Regulations* (CFR), that has been under development for more than five years, in our view, has the potential to increase domestic demand for Canadian canola as a feedstock, creating a sizable new market and lessening our reliance on exports, while contributing to Canada's greenhouse gas reduction targets.

It is difficult to project 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) should be streamlined, data-driven and recognize Canadian farmer's sustainable land use practices. It must be appropriate 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. This is still an outstanding area of concern for CCGA. The CFR is anticipated to be published in *Canada Gazette II* in late 2021. 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.

## 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. For instance, Canadian farmers seeded 8,481,000 hectares (20,957,000 acres) of canola harvesting 19,607,000 tonnes in crop year 2019-20. For this crop year (2020-21), it is provisionally estimated that farmers seeded 8,410,000 hectares (20,782,000 acres) and produced 18,720,000 tonnes.

Although we are currently experiencing a period of strong commodity prices, this does not translate into a wholesale shift in Canadian grain farmer production into one crop. For example, the current forecasted seeded

area for 2021-22 crop year is 8,713,000 hectares (21,530,000 acres) and production of 20,050,000 tonnes.<sup>1</sup> 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.<sup>2</sup>

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.<sup>3</sup>

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.

#### 4. Clean Fuel Regulation – impact on fuel price and canola price

*There are two ways in which the CFR could financially impact farmers; either through changes in the costs of diesel fuel or through the price farmers receive for their canola. Due to the complexity of the regulation, and the flexibility of compliance options, it is very difficult to project the effects out to 2030.*

CCGA has used various projection and models (including our model canola farm) and our best estimates suggest that the financial impact of the CFR to a typical canola farm will be a net benefit. This estimate is based on several assumptions which we detail below:

##### Impact on Fuel Price

The effect of the CFR on retail fuel prices in 2030 is a major question. The CFR Regulatory Impact Assessment Statement notes that:

The degree to which the production costs increases results in price increase to consumers depends on several market factors, including distribution constraints, market share competition, refinery capacity and production, and fuel demand. **Of the various factors contributing towards the fuel prices, the crude oil price has the highest variability** [emphasis added].<sup>4</sup>

---

<sup>1</sup> Agriculture and Agri-Food Canada. (May 21, 2021). *Canada: Outlook for Principal Field Crops*. [fco-ppc\\_2021\\_05-eng.pdf \(agr.gc.ca\)](#)

<sup>2</sup> [Strategic plan for Canadian canola | The Canola Council of Canada](#)

<sup>3</sup> Statistics Canada, Table 32-10-0359-01

<sup>4</sup> Canada Gazette Part 1, Vol. 154, No. 51, p. 3978

CCGA has looked at various analysis and our best current analysis estimates the cost impact of the CFR on diesel fuel prices is an increase of \$0.034/litre (under 4 cents per litre). This equates to a 4.3% increase in the cost of fuel or approximately \$2,000 per year for a typical 3,000 acre grain farm in Saskatchewan. While larger than the cost of the current renewable fuel blend mandates (wholesale fuel prices for 2% biodiesel are currently at par with prices for ultra-low sulphur diesel), it is within current normal fuel price fluctuations.

CCGA's analysis is based on research that tracks the consumption and cost impacts of biofuels. The 2020 [Biofuels in Canada](#) report assesses biofuel use from 2010 to 2019. Over this period, the average cost of biofuel blending impact is \$0.0058/litre (under 1 cent per litre), based on a 1.91% average renewable blend rate. This equates to a 0.75% increase in fuel cost compared with a scenario without biofuel blending. This value is minor compared with fuel price fluctuations experienced at the wholesale and retail fuel level in Canada.

For the CFR, the government estimates there will be 11% renewables in the diesel fuel mix in 2030. Extending the cost impact of the 2010 – 2019 average blend rate of 1.91% to 11%, the estimated cost impact is \$0.034/litre (under 4 cents per litre). The government's [analysis](#) suggests the CFR could increase diesel prices in 2030 by between 4 and 13 cents per litre. However, this analysis is purely based on three scenarios focusing on the total number of credits in the system, notional credit price levels and how obligated parties choose to obtain credits. These cost estimates are higher than anticipated, in part, because they do not accurately reflect historic fuel price impacts of increased biofuel blends under policies in place since 2010 (BC, MB), 2011 (AB, Federal), 2012 (SK), and 2014 (ON).

### Impacts of the CFR on canola price

***Renewable fuels are important to the grain sector as they provide a level of price stability in agricultural markets as they play a role in economic diversification and growth.***

Agricultural production to supply renewable fuel markets allows for production beyond what is consumed in our food/feed supply. This helps to maintain stable commodity prices when food/feed market demands have been fulfilled. In the absence of renewable fuel policies to 'soak up' additional production, when food/feed demand is satisfied, prices would fall. This would lead global production to trend towards only producing sufficient quantities to satisfy food/feed markets, thereby missing an opportunity to add further food security.

A complete financial impact of the CFR requires that the impact on cost be weighed against the expected benefits of increased canola demand. Analysis completed in November 2020 by the World Agriculture Economic and Environmental Services (WAEES) titled '[Analysis of the Implications of Canada's Proposed Clean Fuel Standard for Canadian Biofuels and Biofuel Feedstocks](#)' more conservatively estimated there to be a nearly 9% biofuel blend rate in diesel in 2030 due to the CFR. The estimated price impact on canola was calculated to be a \$48.55/tonne or \$1.10/bushel increase.

In summer of 2021, it is difficult not to notice the runup in vegetable oil prices. Some will point at the current pricing and draw erroneous links to biofuel policies as a rationale. Canadian canola is but one type of oil seed in the global marketplace and is typically linked to a larger vegetable oil complex (soy, canola / rapeseed, palm,

etc.). In June 2021, a [United States Department of Agriculture analysis](#) of strengthened oilseed prices attributes the role of one major country increasing their levels of imports correlating with the price strengthening of the last year.

Thank you for the opportunity to provide comments on the committee's study on Low-Carbon and Renewable Fuels Industry in Canada. CCGA and the CCC would be pleased to provide further information to the committee and would again reiterate our request and willingness to appear before the committee. 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 processing.

Sincerely,

Original signed by

Dave Carey  
Vice-President, Government and Industry Relations  
Canadian Canola Growers Association

Original signed by

Jim Everson  
President  
Canola Council of Canada