

September 4, 2020

Environment and Climate Change Canada
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Re: *Carbon Pollution Pricing: Considerations for Protocol Development in the Federal Greenhouse Gas Offset System* discussion paper

To whom it may concern,

The Canadian Canola Growers Association (CCGA) has been actively following the federal government's proposed carbon pricing policy framework and appreciates the opportunity to comment on the discussion paper *Carbon Pollution Pricing: Considerations for Protocol Development in the Federal Greenhouse Gas Offset System*. CCGA represents 43,000 canola farmers across Canada on national and international issues, policies, and programs that impact farm profitability.

Developed in the 1970s by researchers at the University of Manitoba and Agriculture and Agri-Food Canada (AAFC), canola is a staple of Canadian agriculture as well as Canadian science and innovation. Today canola has become Canada's most widely seeded crop, planted on over a fifth of all Canadian cropland. In Canada, canola generates the largest farm cash receipts of any agricultural commodity, earning Canadian farmers over \$8.6 billion in 2019.

Each year over 90% of canola production is exported worldwide as seed, oil, or meal. Canada's 43,000 canola farmers compete in the global marketplace, making them dependent upon global market prices. The introduction of a carbon pricing mechanism that could threaten the competitiveness of Canada's 43,000 canola growers could also negatively impact the 249,000 jobs¹ and \$26.7 billion² the canola industry contributes to Canada's economy every year. The Agri-Food Economic Strategy Table has a stated goal that Canada's agriculture industry should reach \$85 billion in agri-food exports by 2025. To meet this goal, a level playing field with global competitors is needed.

Canola farmers are committed to a sustainable future and have established goals to support that commitment. By 2025, they will reduce their fuel usage by 18% per bushel, increase land use efficiency by 40% per bushel, sequester an additional 5 million tonnes of CO₂e, use 4R nutrient stewardship practices on 90% of canola production acres, and continue to safeguard the more than 2,000 beneficial insects that call canola fields and surrounding habitat home.

¹ LMC International Ltd, *The Economic Impact of Canola on the Canadian Economy*, for the Canola Council of Canada (Oxford: 2016) at 17 online: < [http://www.canolacouncil.org/news/canola-now-worth-\\$267-billion-to-canadian-economy/](http://www.canolacouncil.org/news/canola-now-worth-$267-billion-to-canadian-economy/)>

² *Ibid* at 9

Having sequestered millions of tonnes of carbon, it is important to recognize the contribution of Canadian farmers in meeting Canada's climate change goals and provide them with a meaningful path to participate in the output-based pricing system (OBPS). Farmers have an inelastic demand curve for carbon-based inputs. Ensuring access to a variety of offset protocols that are transparent and relevant will benefit both farmers and the environment. Offsets need to be clear, practical and accessible. To avoid carbon leakage, where revenues are to be returned to industry, effective carbon pricing policy should ensure that revenues are returned to the sector from which they are collected.

CCGA appreciates the ongoing engagement provided for by Environment and Climate Change Canada (ECCC). Having met with staff on August 12 and 13, we would like to re-iterate and expand on several points discussed during those meetings, and provide our comments on ECCC's Carbon Pollution Pricing: Considerations for Protocol Development in the Federal Greenhouse Gas Offset System.

1.0 Fertilizer Emissions Reduction Protocol – 4R Nutrient Stewardship

Our organization is committed to Fertilizer Canada's 4R Nutrient Stewardship Practices. The three levels of 4R practices (basic, intermediate, and advanced) each see increasing levels of associated emissions reductions, depending on which level is achieved in-field. The goals of the 4Rs make sense to canola farmers and are readily understood in the context of climate smart agriculture. Furthermore, farmers see economic value in implementing 4R practices on their farms. They are a suite of practices that help reduce fertilizer related costs, while helping drive yield increases. Most importantly, the 4Rs are adoptable at the field level and result in meaningful emissions reductions.

This is why our organization believes a fertilizer emissions reduction protocol adapted from the 4Rs (fertilizer protocol) should be a priority for ECCC as the Department looks to develop offset protocols for agriculture. Canadian farmers want this protocol to be developed. The 4Rs have been vetted in Canada by Canadian industry, academia, and government. Farmers recognize the 4Rs and are implementing its various levels in their day-to-day operations.

Along with Fertilizer Canada, CCGA tracks 4R compliance through a statistically significant survey of canola farmers, every year. That survey showed basic level compliance of 4Rs for canola farmers at 64% in 2019. Certainly, this is above the business-as-usual threshold of 40% assigned by ECCC in this policy development process. However, looking to the intermediate and advanced levels of 4R practices, the same statistically significant survey shows an adoption rate of well below 40%.

Speaking to adoption rates of 4Rs, CCGA would recommend that a fertilizer protocol developed by ECCC be as administratively simple as possible at the field-level. Acknowledging that the Nitrogen Emissions Reduction Protocol (NERP) in Alberta has not seen significant uptake amongst farmers, we are compelled to note that the barriers associated with this issue relate to the administrative complexity associated with the determination of baselines and verification of the NERP practices. Ensuring a fertilizer protocol is as administratively simple as possible will ensure widespread uptake and use of that protocol.

A variety of regulations related to fertilizer use exist at the provincial level across Canada. This patchwork is inconsistent and typically has disparate aims. The single unifying thread in these regulations is that they typically

address in some way provincially regulated water quality. While it is true that a certain level of emissions reductions related to fertilizer use may be resulting from these disparate fertilizer related regulations, that is by no means their intent. Referring again to our work associated with the fertilizer use survey, CCGA does not see a correlation between these regulations, the uptake of 4R practices, and any sort of meaningful fertilizer emission reductions.

Our organization believes this present opportunity gives ECCC a chance to build on the current state of the 4Rs in Canada, and use that foundation to create an offset protocol for use in the agricultural industry that is meaningful for farmers, but also relevant, complete, consistent, accurate, transparent, and conservative.

2.0 Climate Action Reserve's Soil Enrichment Protocol: Reducing emissions and enhancing soil carbon sequestration on agricultural lands, Version 1.0 for Public Comment, August 2020 (SEP)

Having taken stock of available agricultural soil organic carbon offset protocols, as well as those currently in development, CCGA would ask you to consider adapting the SEP to reflect Canadian agricultural practices and available data as ECCC moves to develop agricultural soil organic carbon offset protocols (agricultural protocols).

At the outset of the following considerations related to the SEP we would state that it is our understanding that the tillage aspects of the SEP shall not be included in this current policy development exercise and, that it is our strongest recommendation that any components of the SEP related to fertilizer be replaced in Canada with a fertilizer emissions reduction protocol based on Fertilizer Canada's 4R Nutrient Stewardship Practices.

2.1 The Legal Requirement Test

The legal requirement test outlined at page 17 of the SEP is unworkable in a Canadian context and will be a barrier to the development of meaningful, complete, consistent, accurate, and transparent agricultural protocols.

The test states that "all projects are subject to a legal requirement test to ensure that the GHG reductions achieved by a project would not otherwise have occurred due to federal, state, or local regulations, or other legally binding mandates." While CCGA can appreciate the intention of this test, and its application in the context of the protocol, when looking to apply this test to Canada, we would recommend amending the text to state "... due to federal, state, or local regulations, or other legally binding mandates intending to reduce emissions or store carbon."

Adopting this similar, yet distinct, language will help ensure that agricultural protocols adapted from the SEP are meaningful, complete, consistent, accurate, and transparent.

2.2 Dynamic, Matched and Blended Baselines

CCGA is supportive of dynamic baseline assessments and has been pleased to learn that ECCC considers them in-scope for this current policy initiative. The SEP proposes something more, matched, and blended baselines. We appreciate the accuracy and transparency offered by matched and blended baselines. We would only caution that in seeking to verify a matched or blended baseline, project developers may encounter hesitation on the part of project participants due to overly complex documentation requirements associated with both of these approaches.

We would be happy to discuss possible paths forward that could ensure the integrity of matched or blended baselines, while also making sure agricultural protocols are meaningful for farmers.

2.3 Leakage from Yield Reduction of Crops

The policy rationale behind the SEP's proposal to assess carbon leakage from yield reduction of crops outlined at page 61 of the SEP is valid. Holding all other variables constant, an observed decline in crop yield in this context would lead to carbon leakage within a carbon market. However, the idea that farmers would be penalized for a decrease in yield under an agricultural protocol adapted from the SEP is concerning for a number of reasons.

Increased yield is normally the goal of every farmer. Farmers are businesspeople and work persistently to find ways to increase their yields, every year. However, introducing a new market externality by way of a penalty for carbon leakage due to yield reduction of 5% or more within an offset project to this established equilibrium could result in perverse policy outcomes. Having said that, our organization understands and appreciates the policy rationale behind this proposal.

Because yield can be negatively impacted by a number of factors which do not negatively impact the levels of on-field/above ground organic matter (ie, yield could drop by 40% due to hail, rendering the crop un-harvestable, resulting in a farmer leaving sections of crop in-field, resulting in reduced yield but not reduced levels of on-field organic matter) we would recommend increasing the threshold for penalty from 5% to 20%. Increasing this threshold will better capture a crop yield reduction which could be more closely associated with reduced levels of above-ground organic matter.

2.4 Eligibility, Permanence and Tillage

As previously noted, conservation tillage or zero-tillage practices are not in-scope under this current policy proposal. For that purpose, we have not commented on the aspects of the SEP directly dealing with tillage. However, the SEP is constructed as an interconnected document, with different concepts and formulas feeding into one another. Because of this we are compelled to comment on aspects of the SEP which would penalize carbon emitting tillage practices in Canada, when ECCC does not intend to incentivise carbon sequestering tillage practices.

Specifically, at pages 67 and 70, the SEP outlines the rationale and penalties that would be assigned to various carbon emitting practices. Considering this dichotomy between ECCC's current policy proposal and the SEP, we would ask that these penalties not be included in any agricultural protocol implemented in Canada. We would suggest taking any formulation dealing with such a penalty and replacing it with a null value.

2.5 Modelling Guidance

The SEP does not mandate the use of any specific model when determining carbon stock changes or emissions from agricultural soils. Instead, at page 73 it outlines the conditions that must be met for a model to be used to estimate such changes or emissions.

On the basis of these conditions, CCGA recommends that ECCC use the Century Model to determine the carbon stock changes or emissions for an agricultural protocol in Canada. We understand the Century Model

may not capture all of the practices covered in the SEP. For this reason we recommend its use where appropriate. The Century Model has previously been used by AAFC to model changes and emissions in soil organic carbon in agricultural soils and is well placed to address the specificities of soil organic carbon in Canadian agricultural soils.

3.0 Conclusion

Finally, CCGA supports the use of consistent offset protocols across the country as well as cross compliance mechanisms to acquire and trade credits. Consistent offset protocols and cross compliance mechanisms will encourage participation, reduce the cost of compliance, and facilitate transparency in the Canadian offset market.

Thank you for considering this submission. Agriculture and the canola industry in particular is an important contributor to the Canadian economy and steward of the environment. We are committed to working with you to ensure our industry remains competitive while endeavouring to achieve the climate goals set by the government.

Please contact us if you require additional information.

Sincerely,

original signed by

Rick White
President & CEO
Canadian Canola Growers Association