



Canadian Propane Association
Association canadienne
du propane

September 20, 2023

Hon. Robert Black
Chair, Standing Senate Committee on Agriculture and Forestry
The Senate of Canada
Ottawa, Ontario
Canada, K1A 0A4

Dear Senator Black,

Please accept this submission on behalf of the Canadian Propane Association (CPA) as an expression of our full support of Bill **C-234, *An Act to Amend the Greenhouse Gas Pollution Pricing Act (GGPPA)*** which is presently before the Senate Committee on Agriculture and Forestry.

About the CPA

The Canadian Propane Association is the national association representing Canada's propane industry. We represent over 400 member companies, small and large, from coast to coast to coast. Our membership includes producers, wholesalers, transporters, manufacturers of propane equipment, and of course, retailers.

You know them in your community. They are job creators, members of the local chamber of commerce, sponsors of local sports teams and community groups. Many are on the local volunteer fire department or participate in other important volunteer activities.

Propane industry supports Canada's farming community

CPA members provide low-emission propane energy to Canada's farming community. Propane is a safe and critical energy in the agriculture community. It costs less than other fuel sources, and propane farm equipment has high-efficiency engines that offer lower maintenance costs without compromising performance, power, or productivity. Propane provides the versatility farmers need to dry their crops; heat their barns or greenhouses; power equipment, vehicles, or mowers; or produce combined heat and power.

Propane also gives farmers portable power when and where they need it – for space heating, drying applications, irrigation systems, power, and mowers. Propane is an important energy choice for the modern Canadian farm.

According to a 2021 study by the Conference Board of Canada, propane accounts for 2.3 per cent of total agricultural demand and yet it has an outsized importance for farmers across the country.

For example, in Quebec and Ontario, more propane is needed, kilo-for-kilo, to dry the same volume of crop that is grown in Western Canada due to higher moisture conditions.

An exemption for propane as outlined in C-234 would mean less costs to farmers and ultimately, consumers.

Low-emission propane offers a cleaner choice for farmers

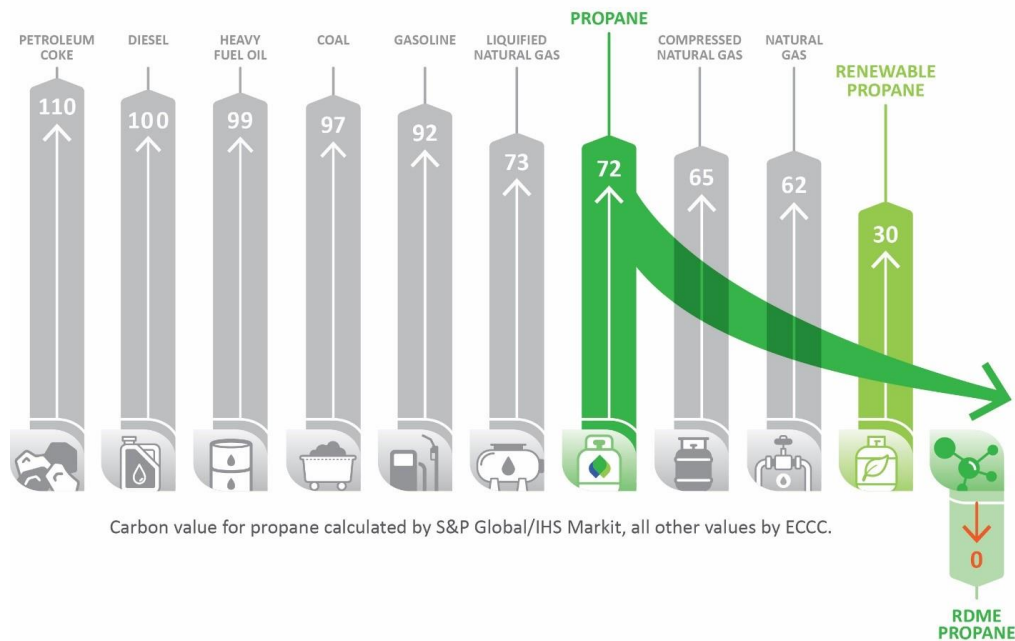
From an environmental perspective, providing an exemption for low-emission propane will allow farmers a real choice in reducing emissions. Currently, agricultural exemptions under the GGPPA are provided for carbon-intensive fuels such as gasoline and diesel.

By allowing for an exemption for propane, farmers will be able to take full advantage of a much cleaner energy source. Propane minimizes environmental impact with fewer emissions and 98% less particulate matter than diesel. Unlike diesel, propane vaporizes when released, eliminating the risk of contaminating water, ground, or air.

While the intended purpose of the GGPPA is to provide environmental considerations for the farming community, the fact that carbon-intensive fuels such as gasoline and diesel are exempted while low-emission propane is not is at odds with the principle of reducing GHGs.

As you can see in the chart below, propane provides significant reductions in GHGs compared to gasoline and diesel. In addition, renewable propane and propane blended with renewable dimethyl ether (rDME) provide even further reductions in GHGs.

Carbon Intensity (g CO₂e/MJ) Values for Energy Sources



C-234 will ensure a more affordable choice for farming activities

Bill C-234 is especially important to Canada's agriculture community as it addresses critical omissions in the original GGPPA.

As you know, C-234 seeks to expand the definition of eligible farm machinery and amend the GGPPA to extend the exemption for qualifying farming fuel to marketable natural gas and propane. If passed, C-234 will provide much-needed economic relief for farmers.

According to the Parliamentary Budget Officer, under the provisions of C-234, farmers in the provinces currently affected by the federal carbon tax can expect to save \$9 million in carbon taxes on propane in 2022-2023. As of July 1, the Atlantic provinces are now also included under the GGPPA. With the passing of C-234, farmers in those provinces would see savings as well.

With the yearly increases in the rate of carbon tax ratcheting up to \$170 per tonne by 2030, the exemption will mean annual savings to farmers of about \$33 million by the year 2030-2031. In aggregate, the exemption for propane represents a total savings for farmers from 2022-2023 to 2030-2031 of \$189 million.

We believe that the changes proposed in C-234 will fill important gaps that were left in the original legislation. While there have been efforts to provide some rebates for propane, Canada's agriculture sector has been clear that the rebates do not go far enough. CPA members fully agree with that assessment.

With inflation still hovering at higher levels, it is more critical now than ever to extend the exemption for qualifying farming fuel to include propane as contained in C-234.

I would like to share with you, an excerpt from testimony before the House of Commons Agriculture and Agri-foods Committee in April 2021 regarding Private Member's Bill C-206.

It's by Dan Kelly who was CFO of Dowler-Karn in St. Thomas, Ontario and past Chair of the CPA. Dan's testimony illustrates some of the challenges that his farming clients face because of the non-exemption for propane under the GGPPA.

Dan's remarks from 2021:

"In the spring of 2019, Dowler-Karn registered as a distributor under the Greenhouse Gas Pollution Pricing Act and has charged, collected, and remitted the federal fuel charge since its inception on April 1, 2019. In that time, we have collected and remitted \$19.8 million in respect of the federal fuel charge.

In particular, we have collected and remitted approximately \$1.7 million in the federal fuel charge in respect of propane that's been used in farming. These amounts come directly from the bottom line of farmers.

The original regulations in the act recognized the uniqueness of the agriculture sector and provided relief from the federal fuel charge for farm fuels, specifically exempting gasoline and diesel fuel directly used in farming. Although gasoline and diesel fuel are necessary for planting and harvesting



crops, propane is just as vital to a farming operation. However, propane has not been granted the same relief as high-carbon fuels such as gasoline and diesel.

In the most recent budget, the Minister of Finance announced some relief for farmers who are incurring the costs of the federal fuel charge for propane and natural gas. Although we applaud the government for recognizing the oversight, we have concerns with the proposal for a targeted rebate program.

Rather than providing a rebate to address the issue, we believe that propane should be afforded the same treatment as gasoline and diesel. Simply extending the exemption to propane would provide the following: an equitable treatment for a low carbon-intensive fuel as afforded to those that are much more carbon-intensive; relief for all propane used in farming operations, not just for drying crops; and removing the need for bureaucracy in managing the rebate program.

Currently, we charge the federal fuel charge at the time of invoice and then remit the same to CRA at the end of the following month. We are reimbursed when the farmer pays his invoice, including the federal fuel charge. Should propane be exempt from the FFC, as is the case with gasoline and diesel, there would simply be no charge on the invoice. The farmer would issue a form L402 exemption to Dowler-Karn, which we would keep on file.

Should a rebate program be instituted, we would need to invoice the farmer, charging the FFC, which they would pay to us, and we would remit. At some point in the future, the farmer would then be required to submit a rebate application, which would need to be reviewed, approved, and processed by CRA, which would then issue payment to the farmer for the same FFC they paid at the time of purchase. The rebate would then be subject to audit. This much bureaucracy doesn't seem necessary when an exemption would meet the same goal.

Another issue facing farmers centers around the focus on propane for grain-drying purposes only. Propane used in farming extends beyond simply grain drying, as livestock and dairy farmers use propane to keep their livestock warm in winter. In fact, Dowler-Karn sells as much propane to heat barns for livestock as we sell for grain drying. Some regions of Canada may have greater needs for propane to dry crops, but the need for heating barns is just as critical. Imagine the impact on a poultry operation with hundreds of chickens if they couldn't keep the barns warm in the dead of winter.

In addition to barn heat, propane is also used for backup power generation, protecting farm operations against power outages.

We at Dowler-Karn and the CPA support the approach prescribed in Bill C-206, and believe it is the most efficient, cost-effective and reasonable approach. We applaud the government for recognizing the need to correct the regulation, but believe an exemption for a much cleaner, cheaper fuel is the more equitable approach.”

Dan's comments are as applicable today regarding C-234 as they were in 2021 regarding C-206.

By allowing for an exemption for propane, farmers will be able to take full advantage of a much cleaner and affordable energy source.



The CPA believes C-234 should be advanced through the Senate as soon as possible so that farmers can fully benefit from a cleaner energy choice while significantly reducing costs.

A handwritten signature in blue ink, appearing to read 'Shannon Watt', with a stylized flourish at the end.

Shannon Watt
President and CEO
Canadian Propane Association

