

## Case Studies of Carbon Price Costs Associated with Marketable Natural Gas and Propane Use on Farm

To quantify the impacts of carbon price costs association with marketable natural gas and propane use on farm we surveyed members of the Agriculture Carbon Alliance (ACA) and also reviewed the testimony from Committee appearances to present case studies.

ACA represents 190,000 farm businesses including the following commodities: seed, grains, oilseeds, pulses, cattle, pork, sheep, fruit and vegetables, forages and grasses, poultry, and dairy.

To date, ACA members include the Canadian Canola Growers Association, Canadian Federation of Agriculture, Canadian Cattle Association, Grain Growers of Canada, Canadian Pork Council, Chicken Farmers of Canada, Turkey Farmers of Canada, Fruit and Vegetable Growers of Canada, Canadian Hatching Egg Producers, Canadian Forage and Grassland Association, National Sheep Network, National Cattle Feeders' Association, Dairy Farmers of Canada, Canadian Seed Growers' Association, and Mushrooms Canada.

### Saskatchewan Grain Farmers

Recent studies have shown that Saskatchewan farmers can expect to lose **8%** of their total net income to the carbon tax. For a household managing a **5,000-acre grain farm** in Saskatchewan, this will take the form of **\$8,000 to \$10,000**.<sup>1</sup>

### Canadian Mushroom Growers

My farm currently pays carbon tax in excess of **\$150,000 a year**. We have examined the rebates offered, and we have been unable to access any rebates, or we found them too little to offset the costs.<sup>2</sup>

A medium-sized mushroom farms that employs about 100 people can pay up to **\$15,000 in carbon tax each month** while using natural gas to heat and cool the buildings where the mushrooms are

<sup>1</sup> [House of Commons Standing Committee on Agriculture and Agri-Food, Evidence](#). October 17, 2022.

<sup>2</sup> [House of Commons Standing Committee on Agriculture and Agri-Food, Evidence](#). October 24, 2022.



grown. The carbon tax bills paid are as follows:

- The carbon tax bill is **\$9,000** for the month of July.
- The carbon tax bill is **\$14,200** for the month of January.
- The total annual cost is **more than \$150,000 per year** for the carbon tax for one single farm alone.

### Alberta Poultry Farmers

As for financial viability, we face the following. Every **\$10** per tonne of carbon tax costs us significantly more each month, and when the cost goes to the intended level of \$170 per tonne, our cost will rise to an average of approximately **\$40,000 per month**, or approximately **\$480,000 per annum**. We **paid in the last 12 months, \$106,000**. At the projected price of \$170 per tonne, that will come to **\$475,000**.<sup>3</sup>

### Ontario Turkey Farmers

This year, the fuel charge added just under **\$10,000 to one turkey farmer's cost of production**. That's significant to him. It's not an old and inefficient operation. In fact, he's already insulated the walls and ceilings of the barn and sought out energy efficiency where it makes financial sense. Why did he make those changes? It was primarily because government incentive and cost-share programs allowed him to meet the threshold for change, and the return on investment was reasonable. With **\$10,000** this year and a **projected \$32,000 per year by 2030**, those amounts of fuel surcharges will significantly impact his ability to do any further efficiencies that might exist."<sup>4</sup>

### Alberta Cattle Feeders

We are one of the few feedlots in our sector so far that does a steam-flaking process, because we utilize a lot of corn on our farm and it's a more efficient way of processing that grain. There's been some increase in that as well, and it's essentially adding efficiency to the grain that we're feeding, thus making the cattle more efficient. I just pulled up the numbers and, in our last six months, since our last increase to the carbon tax, our farm in that process alone has paid **\$14,000**, which equates to **75¢** per tonne of grain that we produce."<sup>5</sup>

<sup>3</sup> [House of Commons Standing Committee on Agriculture and Agri-Food, Evidence](#). October 24, 2022.

<sup>4</sup> [House of Commons Standing Committee on Agriculture and Agri-Food, Evidence](#). October 24, 2022.

<sup>5</sup> [House of Commons Standing Committee on Agriculture and Agri-Food, Evidence](#). October 24, 2022.



### Saskatchewan Hatching Egg Producers

In 2022 one of our hatching egg farmers in SK paid **\$9,107.48 in carbon taxes** on electricity, propane and natural gas. Three energy sources that their farm cannot go without to operate throughout the cold winters. **The rebate received was only \$2,637.41** leaving them out of pocket for **\$6,470.07** in direct carbon tax costs on energy. This is only a drop in the bucket when you must consider the additional cost the farmer has to pay for feed that required grain drying and transportation. Unfortunately, it is quite clear that the carbon tax rebate for our farmers does not come close to covering the amount paid.

### Canadian Cattle Ranchers

Two example farms are presented to outline the wide variation in carbon surcharges faced by cattle farms across Canada. The first cattle farm example uses natural gas to heat a calving shed and a small shed for holding a couple of tractors and their work bench. The second example cattle farm has a steam flaker that uses propane to flake corn to improve the digestibility of the feed. The first farm will have a **\$6,500 annual carbon tax** while the second will have a **\$63,000 annual carbon tax** once the carbon tax reaches the expected **\$170/tonne**.

### Alberta Chicken Farmers

Alberta Chicken Producers conducted an energy utilization survey among their farmers to quantify the impact of the carbon price. Depending upon the size of the operation, the carbon price is estimated to cost an **average of \$41,000 annually to our chicken farmers**.

### Canadian Fruit and Vegetable Growers

Currently, the exemption provided specifically for greenhouse growers is partial relief at 80% of the fuel charge applied to the natural gas and propane used for heating. That relief is essential for Canadian-owned farms to continue to produce, handle and ship perishable fruit, vegetables and other products in Canada. As the federal carbon price is slated to increase to \$170 per tonne CO<sub>2</sub>e in 2030, that remaining 20% continues to grow substantially in absolute dollar value to the point where the 80% relief provided at \$20 per tonne CO<sub>2</sub> equivalent (CO<sub>2</sub>e) is negated.

Across Canada, there are a total of 837 commercial greenhouse vegetable growers in Canada ranging in size from <30 acres to over 200 acres. Total impacts on the sector are not simple to calculate or forecast. However, based on publicly available data collected by Environment and



Climate Change Canada’s Greenhouse Gas Reporting Program (GHGRP), we know that for the largest 30-45 greenhouse operations in BC, AB, and ON who must report their emissions, the fuel charge costs continue to rise substantially:

- **\$2.4 million in fuel charge costs**, each year in 2017, 2018. (\$20 per tonne CO<sub>2</sub>e)
- **\$2.9 million in fuel charge costs** in 2019. (\$20 per tonne CO<sub>2</sub>e)
- **\$5 million in fuel charge costs** in 2020. (\$30 per tonne CO<sub>2</sub>e)
- If we assume for a moment that emissions remain at 2020 levels, when the price on pollution rises to \$170 per tonne CO<sub>2</sub>e, as it will in 2030, it will mean that for this small subset of greenhouse operators, the expected (20%) fuel charge costs would climb to over **\$25.5 million.**

