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Hon. Lawrence MacAulay
Minister
Agriculture and Agri-Food Canada
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By Email - aafc.minister-ministre.aac@agr.gc.ca

RE: Concern with your Government's Approach & Response to the Senate's Report on Soils,
Recommendation #9.

December 9, 2024

Dear Minister,

Our organization recently read your Government's response to the Senate's report *Critical Ground: Why Soil is Essential to Canada's Economic, Environmental, Human and Social Health*. My Board wishes to tell you that it falls short. Canadian farms are making management changes to avoid, capture, and sequester carbon (greenhouse gases). Canadian farmers are selling carbon instruments and carbon data today. All the market risk sits squarely on Canadian farmers' shoulders.

The Senate heard testimony that the only way for markets to scale is to have a carbon regulator.

We would remind you of the recent legislation signed into law in the United States that appointed the USDA as their carbon regulator. We can see the impact of their regulations and spending on the ability of their ag supply chains to bring real value (cash) to their farmers. They are supporting the scaling of their carbon marketplace faster than Canada. The best example is



ADM Canada, which, through USDA funding to ADM USA, now buys carbon data from Canadian farms.

Please look at good examples from your Ministry. Market regulation is needed to referee the transactions between Canadian farmers, aggregators, intermediaries, and final users. Like the good work at the Canadian Grain Commission, Canadian farmers want and need quality standards, contract standards, and payment certainty.

The market is not just the yet-to-be market-ready federal protocols you mentioned in the response. We want to remind you it now includes the voluntary markets and the sale of scope three farm data as two examples.

Contrary to your responses, we noticed a noteworthy statement in the debate over C-234 in the Senate. The statement was 'A tax/levy on carbon emissions and a program spending does not a market make.' Don't make the mistake of thinking that the program money is sufficient.

We express our concern about the Government's choice not to regulate carbon. We have done so in the past. By doing so, the current 12 different markets are left to their own devices. Having no regulator places a significant market discount on each carbon product. With no regulator, the farm seller bears all the price risk.

We note that offsets and production credits currently have a \$39 basis (the farm price trades \$39 under), accounting for risk in the regulated offset and production credit markets. One of the principal risks identified is the absence of a regulator.

We offer two case studies to illustrate our points and add risk to the farm community.

Case 1 – A Canadian-based company purchased regulated offsets from Alberta farmers using the Conservation Cropping Protocol in Alberta. They sold them to a regulated emitter. The company stripped off the soil portion of the protocol, created a wholly owned carbon registry in the US, re-serialized the split tonnes, and sold them again to US buyers.

The impact of this was Nova having to recall and replace several carbon compliance submissions.

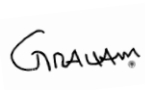
Case 2 – A non-profit and a Manitoba bison livestock operation are reported to have sold farm data to a Manitoba Crown corporation, so the corporation can attest they are net zero. The data is not obtained through a published Canadian protocol or using the Government of Canada (NIR) coefficients. There is a risk here to Manitoba taxpayers and the Crown Corporation reporting assets that do not meet the materiality requirements.

Notwithstanding a good farm story, the sale may inadvertently have set the standard of sale for Manitoba because the Crown corporation has inadvertently accepted a private coefficient.

We point out your response covered current labels on in-vogue farm practices. They do not create a market certificate. Any promotion of these practices by the Ministry, with no regulator, creates issues on what is being bought and sold. Using private label coefficients is especially problematic when AAFC program spending attaches a coefficient with no protocol. Please see case 2 above.

We invite you to return to your Cabinet colleges and revisit creating a carbon market regulator. Article 6 is now signed. Canadian businesses want to buy carbon instruments, and Canadian farms have carbon products. A Canadian regulator will connect them securely.

Sincerely,



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CC:

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