CANADIAN OILSEED PROCESSORS ASSOCIATION

Canadian Oilseed Processors Association
Presentation to Senate Standing Committee on Agriculture and Forestry
The potential impact of the effects of climate change on the agriculture, agri-food and forestry sectors
April 4, 2017

Good evening Honourable Senators. It is a pleasure to be here today to share information about how climate change could impact the oilseed processing sector.

Background and Growth of the Industry

- The Canadian Oilseed Processors Association works in partnership with the Canola Council of Canada to represent the interests of oilseed processors in Canada. We represent the companies that own and operate 14 processing facilities in Canada.
- These facilities process canola and soybeans grown by Canadian farmers into value added products for the food processing (vegetable oil), animal feed (protein meal) and biofuels (biodiesel) sectors.
- The oilseed processing industry in Canada has witnessed tremendous growth in investments and capacity in recent years, especially with regards to canola.
- It is estimated that processing canola and soybeans in Canada is now responsible for $8.8 billion in economic activity every year, a threefold increase from a decade ago.
- According to the Conference Board of Canada's 2017 Industry Outlook on Food Manufacturing[1], the oilseed milling (processing) sector has been the key driver for the food manufacturing industry's growth over the past decade.
- Since 2005, approximately $2 billion have been invested in plant construction, more than doubling canola crush capacity and processing half of the canola crop grown in Canada.
- The industry's goal is to process 14 million tonnes of canola by 2025 - significant additional investments will be required to meet this target.
- Investments in Canada are largely driven by domestic and global supply/demand fundamentals for oilseed products, but also Canada's traditionally stable and predictable investment/regulatory environment.

[1] http://www.conferenceboard.ca/e-library/abstract.aspx?did=8678

Climate Change Policies/Regulations, Carbon Pricing and Competitiveness

- Oilseed processors acknowledge the role of government to address climate change and reduce greenhouse gas emissions through policies/regulations.

- Oilseed processors have also long recognized the importance of resource/energy efficiency to lower costs and greenhouse gas emissions, without the impetus of government policies and regulations such as carbon pricing.

- Although the industry has implemented technologies to maximize efficiencies, oilseed processing remains an energy intensive process that will be significantly impacted by placing a price on carbon.

- A carbon price of $50/t will cost even the most modern/efficient processing facilities more than $2 million/year in additional natural gas costs alone – these costs cannot be passed through the value chain.

- Oilseed processors are trade-intensive operating in a highly competitive global marketplace for vegetable oils and fats, protein meals, renewable fuels and other bio-products.

- Many of the jurisdictions that oilseed processors compete with do not have carbon pricing mechanisms in place.

- In this regard, oilseed processors are vulnerable to the trade and commercial impacts of a carbon tax and will not be able to pass the costs to consumers.

- Similarly, oilseed processors will not be able to pass the costs on to farmers as the industry competes with grain elevators who source canola seed for export – often destined to markets such as China where no carbon pricing mechanism exists.

- In the absence of mitigation measures to offset costs associated with carbon pricing and address competitiveness implications, our members will need to re-think current and future capacity investments in Canada.

- Our members are of the view that practical opportunities exist for the oilseed processing sector to assist in Canada's transition to lowering greenhouse gas (GHG) emissions, while maintaining our global competitiveness.

Options to Mitigate Costs and Adjust to Carbon Pricing

- Implementation of carbon emission offsets, allowances or credits, which recognize GHG reductions from on-farm activities, industrial processing and the use of low carbon biofuels such as canola based biodiesel, while at the same time encouraging reasonable emissions reductions.

- Make carbon pricing revenue-neutral where the government must recycle all the revenue they get from pricing carbon into cutting other taxes.

- Public investments in innovation to support deployment of emerging technologies can assist industry in further optimizing the performance of existing plants.

- Within the development of a Clean Fuel Standard for Canada, implement renewable and low carbon fuel requirements that support expanded production and use of low carbon biofuels in Canada like those made from canola oil. In particular, expand the federal renewable fuel standard to 5% from the current 2% and include a low carbon fuel requirement within the standard.

The oilseed processing industry in Canada has witnessed tremendous growth in recent years. In order to maintain this momentum and reach our goals by 2025, Canada's policies and regulations must continue to encourage investment and trade.

We look forward to working with federal and provincial governments to identify practical policy options/opportunities for the oilseed processing sector to assist in Canada's transition to lowering greenhouse gas (GHG) emissions, while offsetting costs associated with carbon pricing and maintaining our global competitiveness.