



FERTILIZER CANADA

FERTILISANTS CANADA

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David Brock
Assistant Deputy Minister – Climate Change and Adaptation Division
Saskatchewan Ministry of Environment
5th Floor, 3211 Albert Street
Regina, SK S4S 5W6

Via email: david.brock@gov.sk.ca
Prairie.Resilience@gov.sk.ca

Re: *The Management and Reduction of Greenhouse Gases (Electricity Standards and Compliance) Regulations*

Dear Mr. Brock,

Thank you for the opportunity to comment on the proposed *Management and Reduction of Greenhouse Gases (Electricity Standards and Compliance) Regulations*. Fertilizer Canada and our members are very concerned with several aspects within the proposed regulation and ask that the Government of Saskatchewan acknowledge and address these concerns to protect the competitiveness and growth of our industry in the province.

Fertilizer Canada represents manufacturers, wholesale, and retail distributors of nitrogen, phosphate, potash, and sulphur fertilizers – the cornerstone of Canada's agri-food economy. Fertilizer Canada and our member companies are committed to ensuring environmental and economic sustainability for our industry, and we know that achieving these goals requires cooperation and transparency between government and industry. We appreciate the Government of Saskatchewan's ongoing dialogue with industry as emissions regulations are developed and implemented. We are concerned, however, about the contradictory nature of the proposed regulations for electricity generation in relation to Saskatchewan's Prairie Resilience climate change strategy which encourages the adoption of energy efficiency, conservation, and self-generation programs by SaskPower clients.

Our members have worked to increase the energy efficiency of our facilities, and some facilities have implemented cogeneration as a means of reusing waste heat from our existing manufacturing processes to effectively reduce our total emissions. However,



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instead of rewarding the efficiency gains of cogeneration, the proposed regulation would penalize industrial companies that utilize cogeneration technology, as emissions from this process would be further regulated at a more stringent level than the existing process emissions under the federal Output-Based Pricing System (OBPS).

As the home of some of the world's largest potash deposits, Saskatchewan plays a central role in our industry. Potash is one of the most valuable metal or mineral products in Canada, coming second only to gold. The fertilizer industry is a significant contributor to Saskatchewan's economy – across the province, we account for approximately \$5.5 billion of economic activity and support over 19,000 jobs throughout the supply chain. In the recent Saskatchewan budget, it was noted that potash accounts for 3% of the province's revenues. Our members have proactively taken measures to reduce our greenhouse gas (GHG) emissions, and as a result Canadian potash is already the most environmentally sustainable potash in the world, producing approximately 50 per cent fewer emissions than potash produced elsewhere.

Regulatory Stringency

Our members are concerned that the proposed regulations in Saskatchewan are more stringent than the current Federal *OBPS Regulations* for industrial facilities whose primary activity is not electricity generation. Specifically, section 3(3) in the draft regulation states that:

Self-generation of electricity that occurs at an industrial facility registered under the provincial OBPS regulations is only subject to these regulations if the emissions associated with the electricity/cogeneration portion exceeds 50,000 tonnes CO₂e. As a result, larger scale self-generation is subject to these regulations. Smaller scale self-generation remains as a regulated emission source within the provincial OBPS regulations.

At 50,000 tonnes CO₂e, the limit for electricity generation is less than 20 MW of power. In comparison, the federal *OBPS Regulations* only regulates emissions from electricity generation at regulated facilities when that generation is at or above 50 MW and when electricity generation equipment is designed to operate at a thermal energy to electricity ratio of < 0.9. **We strongly recommend that the Government of Saskatchewan mirror the federal system for electricity generation or, if that is not possible, provide an exemption for non-utility electricity generation or except emissions that are already covered under the Saskatchewan Management and Reduction of Greenhouse Gases (MRGHG) Regulation.**



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Economic Concerns

As an Energy-Intensive, Trade-Exposed (EITE) industry and as price-takers in the global market, the Canadian fertilizer industry is highly sensitive to decreased investments and carbon leakage. Fertilizer Canada and our member companies are very concerned with the unprecedented carbon price increase of up to \$170/tonne of CO₂e by 2030. Combined with increasing regulatory stringency, the proposed regulation limits our opportunity to spend capital infrastructure dollars on real (scope 2) emission reductions that can support the ongoing, proactive Environmental, Social, and Governance (ESG) targets of our companies. With an increase in the price of carbon, the federal government is also offering unprecedented spending programs. Saskatchewan should align its regulations to ensure that locally regulated emitters have a good chance to secure these funds and bolster opportunity for a share in the capital infrastructure expenditures. Further, with SaskPower as a Crown utility without trade exposure, it is expected that SaskPower will pass down costs to our member companies. As a recognized EITE industry within the Prairie Resilience OBPS backgrounder and price-takers in the global market, the proposed regulation will directly jeopardize our competitiveness in the global market and limit our ability to both predict electricity costs and invest in technologies to generate low carbon electricity. We are also extremely concerned that the draft electricity generation regulations did not undergo an economic impact or Regulatory Impact Analysis Statement (RIAS) process prior to release for comment to the public. **Fertilizer Canada urges the Government of Saskatchewan to protect the global competitiveness of our industry by acknowledging the compiled negative impacts of an increasing carbon price with an increase in regulatory stringency. We ask that the Government of Saskatchewan address this concern by reviewing the regulation to ensure our member companies can invest in new infrastructure to lower scope 2 emissions while maintaining their competitiveness in the global market.**

Cogeneration

Some of our member facilities have already proactively installed and/or are presently considering cogeneration systems which allow heat/steam to be generated for industrial processes, while at the same time producing on-site electricity. These facilities would therefore be captured under the proposed regulations as a non-utility generator. Cogeneration is an effective way for steam-dependent industries – like fertilizer manufacturing – to increase efficiency and reduce carbon emissions by utilizing a by-product of the steam generation process for product manufacturing. Cogeneration offers a cleaner alternative to the purchase of higher-emitting grid electricity. In many cases, cogeneration provides an avenue for steam-dependent industries to increase efficiency and



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reduce emissions by producing electricity that is approximately net zero of existing process emissions.

Fertilizer Canada appreciates that the proposed regulations recognize the potential for dual regulation for cogeneration facilities that are regulated by the provincial output-based pricing system (OBPS), and that there are provisions intended to prevent facilities being captured by both regulations; however, it is our view that this regulation greatly increases the likelihood that facilities will be dually regulated, which will cause a significant administrative cost burden. In fact, in section 3(2) the draft regulation explanations state that the regulation “is designed to only capture significantly large self-generation operations” and in the explanation under section 3(4), the Ministry further states that to “avoid dual regulation, any self-generation of electricity that becomes subject to these regulations will no longer be subject to the OBPS Regulations”. Our members are extremely concerned that this would allow for dual regulation of facilities that are already accounted for within the provincial OBPS. In comparison, the regulation indicated that SaskPower would only be subject to a single regulation.

Cogeneration systems have the ability to produce the same heat/steam required for industrial processes without producing any additional emissions. This aspect of the proposed regulation is a major concern for Fertilizer Canada and our member companies as it limits our ability to participate in made-in-Saskatchewan net zero projects at our sites and contribute to scope 2 emission reductions in Saskatchewan. This would be a loss, not only for Saskatchewan’s emission reduction goals, but also in terms of the private capital investment dollars such projects represent.

It is essential that regulatory frameworks continue to protect the global competitiveness of EITE industries as we work to improve environmental sustainability. The fertilizer industry stands ready to be a part of a made-in-Saskatchewan solution to achieve grid modernization and clean electricity generation. **Cogeneration is a highly efficient method for our industry to reduce emissions from fertilizer production, and Fertilizer Canada recommends that the Government of Saskatchewan implement policies and regulations that encourage voluntary adoption of cogeneration at industrial facilities. Additionally, we would appreciate clarity on if and how the proposed regulations with respect to cogeneration will align with the federal OBPS, which is currently undergoing a review that includes an output-based standard (OBS) for electricity. Fertilizer Canada also believes that the Technology Fund is an opportunity for the Government of Saskatchewan to invest in our industry and asks that the fund be made available to our member companies to support the adoption of new cogeneration projects that will increase energy efficiency and reduce emissions.**



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Concluding Remarks

Thank you again for the opportunity to submit comments on the proposed *Management and Reduction of Greenhouse Gases (Electricity Standards and Compliance) Regulations*. Fertilizer Canada greatly appreciates the transparency and cooperation with industry in developing these regulations, and we stand ready to work with the Government of Saskatchewan to achieve our shared environmental and economic goals. We would welcome an opportunity to meet with your department to discuss these comments in more detail.

Sincerely,

McKenzie Smith
Director, Stewardship & Regulatory Affairs
Fertilizer Canada

CC Hon. Bronwyn Eyre, Minister of Energy and Resources
Susanna Laaksonen-Craig, Deputy Minister of Energy and Resources
Rick Burton, Deputy Minister of Agriculture
Sarah Harrison, Deputy Minister of Environment
Christine Hogan, Deputy Minister of Environment and Climate Change Canada
John Moffet, Assistant Deputy Minister of Environment and Climate Change Canada
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