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Soren Halverson,
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Via email: soren.halverson@ec.gc.ca
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RE: Proposed Frame for the Clean Electricity Regulations

Mr. Halverson,

On behalf of our member companies, Fertilizer Canada would like to thank you the ongoing opportunity to provide input into the *Proposed Frame for the Clean Electricity Regulations*. We would like to thank Environment and Climate Change Canada (ECCC) for recognizing the importance and potential impact of the proposed Clean Electricity Regulations on our industry across Canada.

Fertilizer Canada represents manufacturers, wholesale, and retail distributors of nitrogen, phosphate, potash, and sulphur fertilizers. The Canadian fertilizer industry accounts for 12 per cent of the global fertilizer supply, contributing approximately $24 billion annually to Canada's economic activity and supporting the employment of over 76,000 individuals throughout the supply chain.

Canadian fertilizer manufacturing facilities are some of the most technologically advanced, energy efficient, and safest facilities in the world. Our industry has world-class, sustainable operations resulting from early action to reduce its environmental footprint. However, as an energy-intensive, trade-exposed (EITE) industry, the Canadian fertilizer industry is subject to future investments moving abroad to other jurisdictions without the same regulatory standards which could unintentionally lead to carbon leakage and increased global emissions.

Our industry is committed to high standards for environmental sustainability, and we support science-based policy that achieves environmental objectives while also protecting our competitiveness in a global market. As part of our commitment, we have proactively conducted a *Low-Carbon Technology Scan for the Canadian Fertilizer Industry* which explains current manufacturing processes, evaluates new and emerging technologies against their emission reduction potential, commercial scalability, economic viability, and regional considerations. As many of these low-carbon technologies for our sector rely on affordable, accessible, and consistent clean electricity, we kindly ask ECCC to review our *Low-Carbon Technology Scan for the Canadian Fertilizer Industry.*

Fertilizer Canada and our member companies are disappointed the *Proposed Frame for the Clean Electricity Regulations* did not provide a substantial amount of additional context following the *Clean Electricity Discussion Paper* published for comment earlier this year. Although we understand the draft

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regulations would not yet be shared for comment, the lack of additional context at this time is concerning as we fear this will result in the need for additional time to review the regulation during *Canada Gazette Part I* (CGI) this fall. As previously mentioned, clean electricity is extremely important to the success of a number of low-carbon technologies for our sector and it is critical that the government provide industry with a sufficient amount of time to provide substantial and informative regulatory recommendations. **Fertilizer Canada asks the department to acknowledge these concerns by providing at minimum of 60-days for review of the Clean Electricity Regulations this fall during CGI.** To ensure the success of the proposed regulation, it will be critical to provide enough time for industry meet with government to further discuss the unique opportunities and challenges for our sector.

On behalf of the Canadian fertilizer industry, Fertilizer Canada has provided some high-level comments below to help inform the *Proposed Frame for the Clean Electricity Regulations* in Canada. However, without substantial changes or additions to the previous discussion paper, we have re-attached our previous *Clean Electricity Standard Discussion Paper* response which includes key concerns and recommendations that should be considered when constructing the proposed regulation which is scheduled to be published in CGI later this fall.

1. General Questions & Comments

Fertilizer Canada is seeking more information and clarity as to how residential cost reductions (i.e. *"shifting from higher-cost fossil fuels to electricity can reduce total household energy budgets, for example by charging an EV with electricity that costs the equivalent of less than 40 cents per litre for gasoline - or less.")* were determined and, more importantly, how this analysis would apply to EITE industries in Canada.

We continue to recommend that ECCC conduct a fulsome cost-benefit analysis on the impacts of the Clean Electricity Regulations, factoring in impacts on various industrial sectors and subsectors as well as on each region of Canada to ensure a just transition.

2. Scope of application

Co-generation or self-generation of electricity 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. Some of our members have already made significant investments to implement co-generation technologies at their facilities to reduce their environmental footprint and utilize this energy to produce clean electricity on site.

Fertilizer Canada asks that ECCC align the 'small megawatt (MW) threshold' with the federal Output-Based Pricing-System by defining a small MW threshold at 50 MW or higher. Additionally, we ask that the Government of Canada clearly distinguish other industrial sectors, like the fertilizer industry, from primary electricity producers as to not unintentionally disincentivize the production and/or sale of low-carbon electricity from our facilities across Canada.

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3. Proposed emissions standard

In response to the previously shared *Clean Electricity Standard Discussion Paper*, Fertilizer Canada was pleased to see the inclusion of combining natural gas with carbon capture, utilization, and storage (CCUS) as a lower-emitting power source in the medium term while new technologies for non-emitting sources are developed and commercially scaled. We would like to take this opportunity to note that our industry does not only use natural gas as a fuel, but also as a critical feedstock for nitrogen fertilizer production. Our nitrogen production facilities upgrade Canadian natural gas, and capture a significant amount of industrial process emissions, to produce vitally important nitrogen fertilizer products.

Fertilizer Canada asks that ECCC clarify and confirm that only *unabated* natural gas would be restricted to emergency circumstances as proposed within the recent *Proposed Frame for the Clean Electricity Regulations* document.

4. Affordability & Reliability

While some low-emitting and non-emitting technologies are available today, many are not cost competitive with current methods of power generation, and many technologies will require significant investment in research and development to scale up to the commercial applications where they are most needed.

Fertilizer Canada continues to recommend that the Government of Canada coordinate across departments to prioritize the research, development, and scale up of low- or non-emitting sources of electricity to support the needs of our industry in a technology agnostic and regionally focused approach.

5. Proposed implementation approach and associated dates

We are extremely concerned with the relatively short timeframe for implementation of the Clean Electricity Regulations, and we encourage ECCC to adjust timeframes to provide more realistic targets to encourage significant investments in technically and economically feasible low- or non-emitting power sources. **To this end and recognizing that the definition of prescribed life is a topic requiring further discussion, we recommend that the proposed 2025 emissions intensity performance standard date for an existing unit be extended to 2035.**

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More than half of the world's population depends on food grown with the use of fertilizers, a number which will only continue to grow. Canada is well positioned to meet the nutrient demands of a growing global population but will require a competitive business environment to successfully transition to a low-carbon future. The Clean Electricity Regulations must recognize the importance of nitrogen manufacturing and potash mineral production by aligning with existing strategic goals, such as those within the Hydrogen Strategy for Canada and Canada's Critical Minerals Strategy.

Further, it is imperative that the Government of Canada continuously consider the cumulative impacts of environmental regulations to mitigate unintended carbon leakage and ensure Canadian industries remain competitive in a global market. We ask that ECCC ensure that the Clean Electricity Regulations is compatible and in alignment with other regulations to encourage emission reduction and long-term economic prosperity.

Thank you again for the opportunity to engage and provide input on the development of the Clean Electricity Standard. Fertilizer Canada and our member companies know that achieving our shared goals for economic and environmental sustainability requires transparency and cooperation between government and industry, and we stand ready to work with ECCC and the Government of Canada as the clean electricity standard is developed and implemented. Please contact us should there be any questions related to the comments outlined in this submission.

Sincerely,

McKenzie Smith, Director, Stewardship & Regulatory Affairs
Fertilizer Canada

CC: Christine Hogan – Deputy Minister, Environment and Climate Change Canada

John Moffet, Assistant Deputy Minister, Environment and Climate Change Canada

John Hannaford, Deputy Minister, Natural Resources Canada

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