



**FERTILIZER CANADA**

**FERTILISANTS CANADA**

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Fertilizer Canada 2023 pre-budget consultation submission

## **RECOMMENDATIONS:**

For Canada to be a reliable trading nation we need government policies and programs that encourage innovation and support agricultural producers' full participation in meeting these concurrent challenges of food security, climate change and economic growth. Therefore, Fertilizer Canada makes the following recommendations:

- **The Federal government should engage with the fertilizer sector to develop a strategic and collaborative approach that supports innovation and decarbonization in our sector.**
- **The Federal Government should invest in on farm data collection to enable Canada's agricultural supply chain to measure, report and validate environmental sustainability and increase best practices.**

## **INTRODUCTION:**

Canada's fertilizer industry is a world leader in sustainable manufacturing and helps farmers to grow a healthy and abundant crop, to feed a growing global population. Our sector incorporates manufacturing, mining and processing, transport and storage, wholesale, and retail distributors that keeps Canada's economy growing. A major employer, the industry supports over 76,000 jobs directly and indirectly throughout the supply chain and contributes over \$5 billion in wages paid annually in communities of all sizes across Canada.

Canada fertilizer helps feed the world. Half the food we eat today is produced thanks to mineral fertilizers and this is vital for the future of the planet. By 2050, the global population is projected to reach 9.7 billion. Food production must increase by 70 percent to feed this growing demand. It will need to be done with the most environmentally sustainable practices on less arable land while addressing the growing negative impacts of climate change.

These important challenges are not happening in a vacuum. The world is undergoing a generational economic re-alignment that has a great effect on our industry at home and what the world needs from Canada. The war in Ukraine, the resulting sanctions against Russia and Belarus, growing pressures to decouple economic production from nations like China, and the government policy of "friendshoring" resources all increase the importance of Canada's fertilizer sector both abroad and at home.



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At Fertilizer Canada, we are committed to helping all Canadian governments reach their economic and environmental goals. We see a future where we work together to continue to produce the crop nutrients the world needs while reducing our impact on the environment, not only benefiting Canadians, but the world around us. To make this vision a reality, we need our governments to work with us to tackle the challenges preventing us from getting there. We encourage the government to take a holistic or “across government” approach to address the interdependent and interdepartmental issues that are impacting our industry from the initial stages of mining, manufacturing and critical mineral development to energy and electricity generation, to the transportation of products to customers to how nutrients are being used by agriculture producers in Canada and around the world.

### **A Strategic Approach to Canada’s Fertilizer Industry**

At Fertilizer Canada, we have a vision for the future success of our industry, while helping to grow a better Canada. We see a future where Canadian producers not only increase our fertilizer exports over the next decade but do so as a world leader in sustainability and adoption of cost-effective technologies to further reduce our greenhouse gas emissions. Already a world leader in terms of environmentally sustainable production, we see a future that continues to support sustainable agricultural practices to protect soil, air, and water quality, while at the same time increasing agricultural productivity to address global food security concerns. We envision a future where Canada’s fertilizer industry is rewarded for being the world’s most ethical, most reliable and most sought-after as we continue to employ highly skilled Canadians in all corners of Canada, with well paid jobs, supporting families and communities.

To achieve this future, we believe that Governments must work with our industry to take a strategic approach to attracting global investment, driving innovation and sustainability, and strengthening our competitiveness by addressing these challenges.

#### **Attracting investment:**

Attracting global investment is important in driving innovation, sustainability, and competitiveness. All levels of government need to work together and take a strategic approach to address the challenges we face in attracting investment, including providing regulatory



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certainty, addressing infrastructure needs, and attracting and retaining skilled labour. With a rapidly changing investment and regulatory environments around the world, Canada will be left behind if governments across Canada cannot find ways to work together.

### **Supporting sustainable production:**

The Government of Canada's is committed to a national carbon pricing system to reduce greenhouse gas emissions while also driving innovation. Large scale decarbonization projects at fertilizer facilities require investment and implementation of step-change technologies such as CCUS and small modular reactors that are at least five-to-ten years from wide commercial implementation and come at a high capital cost (>\$50M per facility). Government support is needed to de-risk investment and overcome regulatory and infrastructure barriers. Further at risk is "carbon leakage" to competitive jurisdictions including Russia, China, and Belarus, who are not subject to these costs. Governments must be attuned to the impact of domestic policies on a global approach to climate change and can rectify this in part by recognizing Canada's nitrogen and potash producers as highly Energy-Intensive and Trade-Exposed (EITE).

Carbon Capture Utilization and Storage (CCUS) promises to play a critical role in the reduction of fertilizer industry emissions, particularly nitrogen. Continued strengthening of the CCUS investment tax credit (ITC) is required to help incentivize implementation of this decarbonization technology, and to support the development of required infrastructure. The CCUS ITC should be expanded to include feasibility/front end engineering and design studies (FEED) and expand applicability to carbon Utilization through enhanced oil recovery. Further, the CCUS ITC design should encompass ongoing operational costs, and provide long-term certainty by pushing phase-outs beyond 2030 to provide long-term financing certainty for long-term and hard-to-implement projects. The expansion of the existing CCUS ITC to encompass these critical functions is necessary for successful long-term emissions reductions.

Canada's ITCs must also support the development of potash as part of Canada's critical mineral strategy and overall align more closely with incentives from other jurisdictions to stay competitive. The U.S. *Inflation Reduction Act* has created strong incentives for investment in clean technologies in the United States. But while Canada's incentives must align and compete with other jurisdictions, we also need governments to ensure that alignment goes beyond the simple dollar value of these tax credits and includes alignment in reporting requirements.



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Additionally, ammonia, the first building block in nitrogen production, has been identified as a critical component of Canada's emerging hydrogen economy. Currently, Canada's fertilizer producers are also Canada's largest hydrogen producers. To take advantage of the opportunities in this emerging market, we need a hydrogen ITC to support the modification of existing production facilities to produce clean ammonia/hydrogen production, and pull on the fertilizer industry's expertise for safe and efficient transportation of ammonia as a hydrogen carrier.

While there are many global opportunities for Canadian industry, we are increasingly concerned about the degree of collaboration between governments in addressing issues that impact the competitiveness of Canadian industry. We need Governments to work together and take a more strategic and collaborative approach to the policy and regulatory challenges we face as an industry. We are calling on federal and provincial governments to conduct a fulsome feasibility assessment of the proposed Clean Electricity Regulations (CER), factoring in impacts on each industrial sector, subsector, as well as each region of Canada.

### **National Supply Chain Task Force Recommendations:**

Our members depend on Canada's transportation infrastructure to get their world-leading products to markets, whether that be to serve Canadian farmers at home, or over 70 nations around the World. A reliable transportation network that supports our global competitiveness is critical to the future of our industry in Canada as the vast majority of our production occurs in landlocked provinces. Unfortunately, over the past years we have seen a growing number of interruptions to Canada's transportation system including more frequent natural disasters, insufficient infrastructure capacity, unreliable rail service, strikes at ports and blockades that have caused frequent disruptions to the supply chain. Furthermore, we have seen a lack of a long-term strategy and funding related to trade-enabling infrastructure from government and a lack of investment from the rail sector in maintaining or replacing existing infrastructure and in their critical resources, such as crews and locomotives, making them more susceptible to critical service disruptions. Canada cannot be a reliable provider of sustainable fertilizer to the World needs if we cannot get that product to market.

We support the recommendations of the Federal government's National Supply Chain Task Force and call on the federal government to work with all partners to implement them without delay. We are also calling on the federal government to work with all stakeholders to increase investments in reliable and resilient rail infrastructure.



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## **Employment and Labour:**

Our members employ thousands of highly-skilled workers, who span several disciplines, including mining, retail, petrochemicals, research, and transportation. Government programs and policy driving industrial innovation and investment will put further pressure on the availability of labour. The federal government must collaborate with all stakeholders including provinces, universities and colleges, indigenous communities, industry, and organized labour, to develop short- and long-term strategies for addressing labour shortages. These strategies should include:

- Support for recruitment, retention, and training for new employees.
- Expand existing programs designed to attract Indigenous workers and other under-represented populations to our sector.
- Expand the Temporary Foreign Worker Program as it applies to workers to strengthen the supply chain.
- Expedited refugee and immigration processing for individuals who have experience in or would be eligible to work in various sectors.

## **Accelerating 4Rs**

We understand the importance of implementing sustainable solutions that not only meet our environmental goals but also ensure continued strong yields and increased farm incomes as an integral part of the economic future of agriculture in Canada. 4R Nutrient Stewardship is one of those solutions, developed to help crop producers minimize environmental impacts related to agriculture while continuing to improve agricultural productivity and maximize economic benefits for farmers.

With financial support for education, adoption of new technologies and innovations, and improved data collection, the federal government can help ensure a true win-win. This support should include working directly with the Canadian agriculture sector to support for the on-farm adoption of 4R Nutrient Stewardship best management practices.

In collaboration with producers the Government should help fund the expansion of Fertilizer Canada's Fertilizer Use Survey. This will allow us to gather the data needed to support AAFC's National Inventory Report Improvement Project. Doing so would allow better tracking of



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progress towards reducing fertilizer emissions at the farm level and help recognize the environmental efforts of Canada's agriculture sector.

Government should establish a measurement, reporting and verification (MRV) framework to accurately measure farmer progress towards government and industry's shared sustainability goals. This involves leveraging existing digital data collection tools and enhancing others to integrate 4R Stewardship principles. Doing so will enable Canada's agriculture supply chain to measure, report and validate sustainability for global product buyers, making Canadian products more marketable.

We recommend that the Federal Government invest also invest in the following initiatives to accelerate Canada's 4R programs and help Canadian farmers make informed decisions that help address climate change. :

- 4R Designation and Certification Programming for Certified Crop Advisors (CCAs) and Professional Agrologists (P.Ags)
  - To build capacity within the agronomic advisory community through training and verification programming of acres under 4R advisement.
- Advance Measurement and Data Collection
  - To improve the capture of on-farm activity data and its inclusion in *the National Inventory Report (NIR)*
- Enable 4R Integration into Digital Tools
  - To demonstrate the carbon intensity of both value-added ingredients and renewable fuels.

### **CONCLUSION:**

We believe Canada's fertilizer industry is uniquely positioned to assist government in meeting some of the greatest challenges we face as a country. By working together governments and industry can build a truly Canadians success story that helps increase domestic and international food production while reducing negative environmental impacts and ensuring a truly sustainable agriculture sector. Thank you for your consideration.