



FERTILIZER CANADA
FERTILISANTS CANADA

907 – 350 Sparks, Ottawa ON K1R 7S8
T (613) 230-2600 | F (613) 230-5142

info@fertilizercanada.ca
fertilizercanada.ca | fertilisantscanada.ca

February 17, 2023

Ministry of Environment
Climate Resilience Branch
3211 Albert Street, 3rd Floor
Regina, SK
S4S 5W6

Via email: prairie.resilience@gov.sk.ca

Re: Saskatchewan OBPS Draft Documents

On behalf of our member companies, Fertilizer Canada thanks the Saskatchewan Ministry of Environment for providing us with the opportunity to comment on the recently released *2023 Draft OBPS Documents*. We greatly appreciate your efforts to engage with industry on this important topic, and we hope the comments outlined in this consultation response help ensure the provincial OBPS program continues to protect the global competitiveness of our industry.

Fertilizer Canada represents manufacturers, wholesale, and retail distributors of nitrogen, potash, and sulphur fertilizers. 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. Saskatchewan has some of the world's largest potash deposits in the world and, as one of the most valued metal and mineral products in Canada, potash accounts for 3% of the province's revenues. In addition to eight conventional and two solution potash mines, Saskatchewan is also home to a nitrogen manufacturing facility which upgrades Canadian natural gas into nitrogen fertilizers, one of the most globally traded commodities.

Canadian fertilizer manufacturing facilities are some of the most technologically advanced, energy efficient, and safe facilities in the world. As proactive environmental stewards, our member companies have made tremendous progress to date, with Canadian potash producing 50 per cent fewer emissions in comparison to its global competitors,¹ and Canadian nitrogen facilities ranking first, as the most feed-and-fuel energy efficient plants in the world.² Our facilities in Canada are more advanced and efficient in comparison to our global competitors and, as price takers in a global market, we are unable to pass down increased costs to our grower customers. This makes the fertilizer industry one of the most Energy-Intensive, Trade-Exposed (EITE) industries in Canada and around the world.³ We invite the Government of Saskatchewan to review our recently published Low-Carbon Technology Scan,⁴ and we would be pleased to further discuss the findings of this study with your department.

¹ Global Carbon Footprint Benchmarking for Potash

² Canadian Ammonia Producers Benchmarking Energy Efficiency and Carbon Dioxide Emissions

³ Output-Based Pricing System Regulations: SOR/2019-266

⁴ Low-Carbon Technology Scan for the Canadian Fertilizer Industry



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Concerns and Recommendations

Following our review of the draft documents, we have outlined our preliminary comments, concerns, requests for clarification, and recommendations:

Reiteration of Reasons to Re-Baseline Facilities

While we acknowledge and understand that the purposes of the section 13(3)(e) of the regulations is to allow for companies to request the Minister to re-baseline in order to more accurately represent facility emissions, and to allow the Minister to require a revised baseline where the Minister has reason to believe that an error in previous baseline measurements has occurred, **Fertilizer Canada would like to take this opportunity to confirm that the intent of this re-baselining provision is not to be used in situations where companies have achieved more than the 10% threshold in emissions reductions as a result of various ER projects or volatility and variability in their production cycle due to changing market demands.**

Supply and Demand of Credits

Performance Credits

We believe a critical factor for the success of the proposed performance credit system is clear transparency with industry if there is to be any re-baselining of regulated facilities. As performance credits are generated and utilized, there should not be any new additional requirements based on performance credit generation, how regulated facilities choose to utilize performance credits (in early years or deferred), or as a result of low-carbon technology adoption to produce new credits. **Therefore, Fertilizer Canada asks the Saskatchewan Ministry of Environment to ensure credits remain relative to the baseline target and any adjustments to baselines in the future should continue to follow the existing principles of the Saskatchewan OBPS.**

Fertilizer Canada is also aware that the Ministry is in the process of considering the potential publication of a list of performance credits held by regulated emitters. Fertilizer Canada would like to voice our concern with the idea of publishing this information on performance credits, and suggests that, to ensure confidentiality, **the Ministry only publish information on performance credit holdings on a voluntary basis from those regulated emitters who consent to the publication of this information.**

Carbon capture, utilization, and storage (CCUS) Credits

Currently, Ministry of Environment will award credits for carbon dioxide (CO₂) that is captured and permanently sequestered or utilized. CCUS is a promising emissions-reducing technology for our industry, and we are pleased to see that our members will receive credits for investing in this technology at their facilities and that we would be provided with flexibilities as to how that carbon is captured and stored with a technology agnostic approach. Currently, however, CCUS credits generated can only used by the company that generated the credit and cannot be sold or transferred to companies outside the project. While we recognize this is to meet compliance standards, we fear companies with a limited number of or smaller facilities in Saskatchewan will



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not be incentivized to invest in CCUS technologies in the same way as larger companies with multiple facilities in the province. We believe another possible complication with this approach is how CCUS credits may be generated or utilized across a broad partnership, such as CCUS hub projects, and recommend that these credits do not prohibit or limit other CCUS credits from provincial or federal incentive tax credits. Additionally, we want to highlight that the fertilizer sector is not able to valorize CCUS reductions through the Clean Fuel Standard. **We appreciate that generated CCUS credits can be issued to the operator of the facility which captured carbon via CCUS, however we ask the Government of Saskatchewan to reconsider its approach with respect to the application and sale of CCUS credits as to not limit the use of these credits at single facilities. Fertilizer Canada would also encourage Saskatchewan Ministry of Environment to consider and communicate how CCUS credits under the provincial OBPS program will interact with the federal CCUS Investment Tax Credit system.**

Additionally, Fertilizer Canada is concerned that the total CCUS credits that facilities are awarded will be under represented by the lifecycle assessment on the total CO2 footprint on the project including indirect emissions from the electricity sector. This inclusion of emissions from the electricity sector greatly discounts the total amount of credits facilities can receive, and is inconsistent with all other types of greenhouse gas reduction project in the Province. **Fertilizer Canada believes that if our members reduce their own scope 1 emissions by implementing CCUS technology, the credits that are generated with this reduction should not be discounted by resultant scope 2 and 3 sources, as this disincentivized CCUS technology implementation. Further, we ask that for CCUS credit generation, a lifecycle assessment of greenhouse gasses, particularly those from the electricity and production, use, and disposal of amine solvents, are not discounted from the credit generated. This is consistent with all other greenhouse gas reduction projects members would execute.**

Offset credits

While we recognize the importance of maintaining the carbon price signal with a net demand for credits in the market and its necessity to mitigate a more aggressive increase in benchmark stringency, we are disappointed with the removal of offset credits from the provincial program as an additional opportunity for our member companies. **Offset credits offer our industry a unique opportunity to be incentivized for the sustainable use of our products on cropland. We ask that the Saskatchewan Ministry of Environment continue to consider offset credits within its program where possible without a further increase in benchmark stringency for our industry. Additionally, Fertilizer Canada recommends the Saskatchewan Ministry of Environment collaborate with the federal government and other jurisdictions to recognize offset credits generated in Saskatchewan as possible compliance options in other jurisdictions.**

Cogeneration and Emergency Electricity Generation Regulations:

While our members appreciate the difficulty in constructing an OBPS program that would pass the Federal equivalency review, we are disappointed in the shift away from differentiating facilities with electricity generation as a primary purpose and product from those facilities that may generate electricity as a secondary/other function. This shift limits the overall emissions reduction potential



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for the province and limits cleaner self-generation options to only those facilities with a high thermal demand. Fertilizer Canada also understands that the requirement for all regulated emitters that generate 1MW of electrical power or more to follow the “Management and Reduction of Greenhouse Gases (Standards and Compliance) Regulations” and the “(Quantification Measurements and Sampling) Standard” is intended to ensure all emissions sources are captured, we believe that any back-up and emergency generator systems in place should be exempt from the standard when operated in an emergency response situation, such as SaskPower blackout periods. As the duration of power outages can be quite variable, facility emergency systems in place generally operate above 1 MW and in order to maintain safe and secure operation of these facilities. **Fertilizer Canada would like to clarify that the “Management and Reduction of Greenhouse Gases (Standards and Compliance) Regulations” and the “(Quantification Measurements and Sampling) Standard” only applies to electrical facilities, and that emergency electrical power generation (i.e. in blackout and brownout periods, where grid-based electricity is not accessible) is exempt from these regulations and standards. Our members would appreciate future opportunities to revisit the topic of electricity generation in future revisions to the SK OBPS program.**

Saskatchewan Technology Fund

Implementing low-carbon technologies at a commercial scale requires large capital investments and regulatory stability. However, there is a clear interest in pursuing some of these innovations through RD&D – for example, past funding opportunities in Alberta for CCUS projects have been well over-subscribed, indicating a need for government support to drive the adoption of low-carbon technologies. Therefore, RD&D projects should be included as eligible items in the Saskatchewan Tech Fund. We recognize funds collected must be pooled rather than returned directly to regulated emitters in order to maintain the carbon price signal. However, we are concerned that, without a sector pooling approach, the majority of the funds will be utilized in areas outside of the regulated emitters who have paid into the fund. **Fertilizer Canada suggests the administration and procedures for the Saskatchewan Technology Fund funding allocation be adjusted to make sure that funding be redistributed to contributing facilities. The Government of Saskatchewan should continue to proactively engage with our industry to ensure that our industry can sufficiently access and utilize funds to further reduce emissions in Saskatchewan. We would also like to recommend RD&D projects be included as eligible items in the Saskatchewan Tech Fund.**

We also recommend the funds be segregated on a sector-by-sector basis to ensure industries like our own can sufficiently access funding to support low-carbon technology development and implementation at our facilities. Additionally, Fertilizer Canada encourages the department to seek solutions for a revenue recycling program which are as simple and transparent as possible with minimal administrative burden and costs while ensuring the fund supports as many beneficial activities as possible.



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SaskPower Carbon Tax Collection Clarity:

Fertilizer Canada would like some clarity on where the Carbon Tax dollars collected from SaskPower's industrial customers are being put to use. Fertilizer Canada is suggesting a dedicated fund be created with some of this money where industrial clients could use this money being remitted on energy savings and storage projects that also support SaskPower's overall decarbonization efforts. **Overall, from Jan 1, 2023, moving ahead, we are requesting to be better informed on where SaskPower's collected Carbon Tax dollars are going to go, and how they will be used. It is our opinion that the contributions made by industry should be available to industry to further decarbonization efforts.**

Concluding Remarks

Thank you again for this opportunity to submit feedback as it relates to the *2023 Draft OBPS Documents*. Our industry recognizes the importance of strong engagement and collaboration with government, and we stand ready to work with the Government of Saskatchewan as the provincial OPBS program is updated and implemented.

Sincerely,

Clyde Graham
Executive Vice President

Cc: Aaron Wirth – Executive Director, Climate and Resilience Branch
Kyle Worth – Director, Emissions Management & Compliance (ENV CRB)
Veronica Gelowitz – Deputy Minister (ENV)