



FERTILIZER CANADA

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Director General
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Re: Consultation on the Clean Hydrogen Investment Tax Credit

On behalf of Fertilizer Canada, and our member companies, thank you for the opportunity to provide input to help inform the development of a Clean Hydrogen Investment Tax Credit. Fertilizer Canada members are among the largest producers and consumers of hydrogen in Canada as a critical component of ammonia production — the foundation for nitrogen. We represent manufacturers, wholesale, and retail distributors of nitrogen, phosphate, potash, and sulphur, primarily used as fertilizers. Our industry contributes approximately \$24 billion annually to Canada's economic activity, supporting the employment of over 76,000 individuals throughout the supply chain, with the potential for economic growth if hydrogen is adopted as a lower-carbon fuel and ammonia as its carrier.

Our members are well positioned to significantly contribute to Canada's hydrogen economy. Hydrogen production is the first step in the process to manufacture nitrogen-based products such as ammonia, which is more easily transported than hydrogen to reach export markets abroad where there is expressed demand. Canadian producers are recognized as global experts in safely producing, handling and transporting ammonia to customers in North America for many decades. We have partnered with the federal government to establish rigorous codes of practice, meeting or exceeding existing regulations to ensure the utmost safety when producing, storing, transporting, or using these products. Ascription to these codes is a mandatory condition of membership in Fertilizer Canada. We have a high level of expertise to share with the government.

Most nitrogen production facilities in North America utilize natural gas using steam methane reformation to produce the hydrogen needed in the ammonia process. Carbon dioxide is formed as a by-product and can be utilized downstream to produce urea – another important agricultural fertilizer – captured and sold or sequestered where infrastructure exists, otherwise vented. Given the government's expressed desire to build a strong hydrogen industry in Canada to support our clean energy transition and of allied nations, this presents an opportunity to



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leverage an existing source of hydrogen and help nitrogen producers lower global greenhouse gas emissions in other sectors.

Development of a globally competitive hydrogen industry in Canada is extremely complex and will require a wide range of strategic policy considerations and supports to be developed in conjunction with the proposed Clean Hydrogen Investment Tax Credit.

While we applaud the government's goals of supporting innovation and implementing a National Hydrogen Strategy, we are concerned that moving forward with a Hydrogen Investment Tax Credit without fully considering the opportunities and risks to the entire value chain could have immediate and long-term negative impacts on the viability of fertilizer production in Canada as an unintended consequence which is critical to food security.

In light of this complexity and the significance of these measures to our sector and the food supply, Fertilizer Canada and its members need additional time to review the ITC proposal to fully capture the opportunities and risks. We request that the government ensures the fertilizer industry's position is captured when designing the tax credit. Fertilizer Canada and our member companies stand ready to work with the Government of Canada to develop policies that continue to build a strong fertilizer production industry in Canada and look forward to providing you with more fulsome comments in the coming weeks.

Sincerely,

Clyde Graham
Executive Vice President
Fertilizer Canada