



FERTILIZER CANADA

Finance Canada Pre-Budget Submission 2024

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Fertilizer Canada Recommendations:

Recommendation 1: Amend the Canada Labour Code to strengthen the collective bargaining process and prevent unnecessary breakdowns in negotiations that disrupt Canada’s supply chains and damage our reputation as a reliable trading partner.

Recommendation 2: Amend the Canadian Transportation Act to provide the Canadian Transportation Agency with improved tools that would provide shippers with greater certainty and improve performance from supply chain partners, such as railways and ports.

Recommendation 3: Extend the interswitching pilot program for an additional 30 months to allow for a more robust data set considering the seasonality of the fertilizer industry.

Recommendation 4: Extend timelines for the clean Investment Tax Credits by an additional 10 years to provide long-term certainty and better align with the long timeframes needed to finance, plan, permit and implement projects.

Recommendation 5: Require Finance Canada and Environment and Climate Change Canada to incorporate a competitiveness assessment into new environmental legislation and regulations ensuring a comprehensive understanding of the cumulative impacts and aiding in the development of targeted incentives to drive green investment in Canada.

Recommendation 6: Integrate Fertilizer Canada’s Fertilizer Use Survey data on 4R Nutrient Stewardship into the National Inventory Report to improve the accuracy of farmer progress towards the targets laid out in *A Healthy Environment and A Healthy Economy* and invest in the annual Fertilizer Use Survey to expand the on-farm data collected.

Recommendation 7: Expand eligibility for government incentive programs, such as the On-Farm Climate Action Fund, for new and innovative best management practices and technologies that reduce emissions and enhance nutrient use efficiency.

Recommendation 8: Increase adoption of best management practices and technologies among farmers that reduce GHG emissions by developing a national offset protocol for fertilizer emission reductions so farmers can generate and sell credits for implementation of best practices.



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ABOUT FERTILIZER CANADA

Fertilizer plays an important role in food security by helping farmers increase their yields and grow the food necessary to feed our expanding population. Since 1960 the world's food production has more than doubled thanks to modern fertilizer. It is estimated that half of the global food supply is directly linked to the use of fertilizer. The world's population recently reached eight billion and is expected to grow to 9.7 billion by 2050. We cannot grow enough food to feed these mouths without fertilizer.

Canada's fertilizer industry is a world leader in sustainable production and a steward in the sustainable application of fertilizer. Our sector incorporates manufacturing, mining and processing, transport and storage, wholesale, and retail distributors that keep Canada's economy growing. 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 across Canada.

STRENGTHENING CANADA'S SUPPLY CHAINS

Fertilizer is food for crops, but there is a short window for application and our members rely on Canada's supply chains to get their products to farmers when they need it. The fertilizer produced in Canada is used by farmers at home, by our American neighbors, as well as exported to farmers in over 70 nations. To protect food security, our reputation as a reliable trading partner, and Canada's economy we must strengthen Canada's supply chains.

Recommendation 1: Amend the Canada Labour Code to strengthen the collective bargaining process and prevent unnecessary breakdowns in negotiations that disrupt Canada's supply chains and damage our reputation as a reliable trading partner.

Canada has seen six labour disputes that have impacted supply chains since 2019. In November 2019, a strike by 3,200 CN Rail workers continued for eight days, leading to the forced curtailment of production at a potash mine in Saskatchewan, layoffs in the sector, and an estimated economic impact to our members in the order of \$200 - \$300 million. During the West Coast Ports strike last year a potash mine was curtailed due to loss of export capacity and new sales offers for overseas potash customers were halted. Six collective agreements impacting CN Rail, CPKC Rail, and the Port of Montreal expired on December 31, 2023, plus the agreement impacting ship and dock foremen at West Coast Ports expired March 31, 2023, threatening further disruptions to our supply chains in 2024.

The government should amend the Canada Labour Code to strengthen the bargaining process by having parties pre-negotiate terms of binding arbitration to streamline the negotiation process, integrate more opportunities for cooling off periods into the process before strike action, and set a minimum requirement for the term of collective bargaining agreements to reduce the overall frequency of labour disruptions. The government should also review collective bargaining procedures in other jurisdictions, such as the U.S., to adopt practices that have successfully kept supply chains moving while supporting the collective bargaining process.



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Recommendation 2: Amend the Canadian Transportation Act to provide the Canadian Transportation Agency with improved tools that would provide shippers with greater certainty and improve performance from supply chain partners, such as railways and ports.

Fertilizer production is primarily landlocked in Western Canada and requires rail, trucking, and ports to get our products to market. There is limited competition in Canada's rail and port systems that creates an imbalance of power for shippers. Amending the Canadian Transportation Act to enhance administrative monetary penalty (AMP) regimes could more effectively deter poor performance by increasing maximum penalties and expanding provisions that are captured under an AMP. Also, strengthening planning requirements and the development of minimum standards for rail and port performance based on key performance indicators would be supported by an enhanced AMP regime that would introduce penalties for carriers that did not meet these standards.

Recommendation 3: Extend the interswitching pilot program for an additional 30 months to allow for a more robust data set considering the seasonality of the fertilizer industry.

Fertilizer Canada was pleased to see the inclusion of an 18-month pilot project for extended rail interswitching in Budget 2023. Extended interswitching provides shippers with options when negotiating contracts with rail carriers. We recommend the government extend the pilot program for an additional 30 months to allow for a more robust data set considering the seasonality of the fertilizer industry. The end of this new pilot period would then coincide with the next statutory section 53 review of the Canada Transportation Act. Additionally, we would encourage a review of limitations to long haul interswitching. Federal and provincial regulations for railways are not consistently harmonized, and interswitching options can be limited when provincially regulated shortline rail carriers do not have the same obligations as federally regulated carriers.

PRODUCING SUSTAINABLE, CANADIAN FERTILIZER

Canada produces some of the world's most sustainable fertilizer and the sector has been working towards decarbonization for decades. Canadian ammonia is produced with at least 30 per cent lower net GHG emissions intensity and Canadian potash is produced with approximately 50 per cent lower net GHG emissions intensity compared to global competitors, including Russia and China. Potash is also highlighted as one of the 31 minerals listed in Canada's Critical Minerals Strategy. To continue to provide farmers with sustainably produced fertilizer and protect domestic production our industry is committed to working with government to develop and strengthen policies and regulations that incentivize investment and safeguard against production moving to other jurisdictions that don't face the same climate policies.

Recommendation 4: Extend timelines for the clean Investment Tax Credits by an additional 10 years to provide long-term certainty and better align with the long timeframes needed to finance, plan, permit and implement projects.



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Fertilizer Canada commends the government’s dedication to supporting decarbonization through clean Investment Tax Credits (ITCs). These are valuable tools that help to incentivize investment and recognize the considerable financial burden that decarbonization investments are. It is vital the ITCs reflect the realities of decarbonization and are designed to be as useful as possible, including technology at early stages of research and development. As incentives continue to roll out in the U.S. and other jurisdictions, Canada’s tax incentives must be sufficiently ambitious to compete with those more lucrative programs to stay competitive and drive the private sector investment that is necessary for achieving Canada’s climate goals. The tax incentives must also account for varying levels of provincial regulatory development. Currently, only three provinces are eligible jurisdictions under the Carbon Capture Utilization and Storage (CCUS) ITC, leaving large emitters in several provinces unable to access this foundational and time-limited incentive. Extending timelines would also factor in the realities of a constrained supply chain for the equipment and parts needed to implement decarbonization technologies.

Fertilizer Canada recommends the government extend the timelines for clean ITCs beyond 2040 to reflect prolonged timelines for provincial regulatory development, supply chain constraints, financing, planning, permitting, and implementing these projects. In particular, the maximum tax credit rates under the CCUS ITC should be extended to at least 2035 and the full program should remain in place beyond 2040.

Recommendation 5: Require Finance Canada and Environment and Climate Change Canada to incorporate a competitiveness assessment into new environmental legislation and regulations ensuring a comprehensive understanding of the cumulative impacts and aiding in the development of targeted incentives to drive green investment in Canada.

Canada’s fertilizer production is an energy-intensive and trade-exposed industry that must balance reducing emissions with remaining competitive in a global marketplace with countries that don’t face the same environmental regulations. Our industry produces sustainable fertilizer for Canadian farmers and for geopolitical allies around the world. While we understand the strategy for environmental policies is to use a mixture of regulations and incentives to work towards a net-zero economy, when new policies are introduced, they are often viewed through a narrow lens rather than the cumulative impact of all federal and provincial policies together. We recommend the government require Finance Canada and Environment and Climate Change Canada apply a competitiveness lens to environmental legislation and regulations to provide a comprehensive understanding of the impact to investment in Canada, which can then bolster Finance Canada’s incentive programs to drive green investment.

SUSTAINABLE AGRICULTURE

There is consensus in the agricultural community that 4R Nutrient Stewardship practices (right source, right rate, right time, right place) and innovative technologies, such as biologicals and nutrient optimizers, must play a central role in any effort to reduce emissions. It presents a solution that is rarely found: farmers are more profitable, emissions are reduced, and industry remains competitive. The



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fertilizer sector supports the federal government’s push to reduce GHG emissions, but we cannot compromise food security. We must balance emissions reduction with crop productivity. This balance can be achieved by the government and agriculture industry working together towards our common goals of emissions reduction and enhanced food production.

Recommendation 6: Integrate Fertilizer Canada’s Fertilizer Use Survey data on 4R Nutrient Stewardship into the National Inventory Report to improve the accuracy of farmer progress towards the targets laid out in A Healthy Environment and A Healthy Economy and invest in the annual Fertilizer Use Survey to expand the on-farm data collected.

For any nitrogen management approaches to have an impact on Canada’s international reporting there needs to be a way to appropriately reflect nitrogen management in our National Inventory Report (NIR). Currently, 4R Nutrient Stewardship practices are not accounted for within the modeling.

The Fertilizer Use Survey is a long-standing initiative that Fertilizer Canada and its stakeholders have completed since 2014 to determine fertilizer application practices of growers across Canada and 4R awareness. This survey can be utilized to support a joint effort to improve the capture of on-farm activity data and support Agriculture and Agri-Food Canada’s NIR Improvement Project. Investment and collaboration with industry will be an asset in reaching the Project’s ambitious 2026 completion date. We recommend the government use the historical data collected from the Fertilizer Use Survey to improve the accuracy of the NIR and invest in the annual survey to expand the data collected to inform strategies to increase adoption of 4R best management practices (BMPs) that reduce GHG emissions.

Recommendation 7: Expand eligibility for government incentive programs, such as the On-Farm Climate Action Fund, for new and innovative best management practices and technologies that reduce emissions and enhance nutrient use efficiency.

4R Nutrient Stewardship BMPs are scientifically proven to optimize nitrogen fertilizer and reduce GHG emissions when used effectively, and they are the best tools farmers have to reduce their environmental footprint. To work towards the government’s emission reductions goals, it is vital to increase adoption of 4R BMPs and technologies across Canada. We recommend the government through Agriculture and Agri-food Canada reconsider current limitations and incorporate an expansive list of eligible BMP activities and innovative technologies for calculation of greenhouse gas emission reductions. The current BMPs selected by Agriculture and Agri-food Canada provide limited opportunity for adoption in terms of scalability, geographic extent, and ease and cost of adoption, and will not create the scale required for meaningful emission reductions.

Recommendation 8: Increase adoption of best management practices and technologies among farmers that reduce GHG emissions by developing a national offset protocol for fertilizer emission reductions so farmers can generate and sell credits for implementation of best practices.

Incentive programs that de-risk adoption of 4R practices is an important step in reducing GHG emissions from the application of fertilizer. To protect farmers’ competitiveness and ensure continued adoption and acceleration of advanced 4R practices and technologies it is important to develop a system with stakeholders that incentivizes farmers and is not dependent on government funding.



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Fertilizer Canada has led and continues to support the development of a nationally consistent 4R Climate-Smart Protocol (based off Alberta’s Nitrous Oxide Emission Reduction Protocol) as a tool to ensure the economically efficient and environmentally responsible use of fertilizer on farm. We recommend the Government of Canada implement this Canadian-made solution which meets international standards and has the potential to affect millions of acres while reducing megatonnes of GHG emissions.

