



FERTILIZER CANADA

FERTILISANTS CANADA

Finance Canada Pre-Budget Submission 2025

www.fertilizercanada.ca

Recommendations

Recommendation 1: Extend the current timelines, scope, and value of the Clean Investment Tax Credits (ITCs).

Recommendation 2: Adjust emissions-intensive trade-exposed (EITE) classification and tightening rate for nitrogen and potash fertilizer production.

Recommendation 3: Remove the carbon price from industrial process CO₂ used for urea fertilizer production.

Recommendation 4: Update the Canada Labour Code to strengthen the collective bargaining process, including pre-negotiated arbitration terms, better integration of cooling-off periods, minimum terms for agreements and adoption of international best practices.

Recommendation 5: Update the Canada Labour Code to recognize fertilizer as an essential good.

Recommendation 6: Invest in and integrate 4R data into the National Inventory Report.

Recommendation 7: Improve government incentive programs, such as the On-Farm Climate Action Fund (OFCAF) and the Agricultural Clean Technology Fund.

Recommendation 8: Develop a National Offset Protocol to increase 4R adoption.

Introduction

Fertilizer Canada represents producers, manufacturers, and wholesale and retail distributors of nitrogen, phosphate, potash and sulphur fertilizers. Together, our members play an essential role in Canada's economy, contributing over \$42 billion annually and employing 100,400 workers throughout the supply chain.

Our organization works to advance the interests of our members and ensure that Canada maintains a healthy and globally competitive domestic industry that serves our farmers in Canada and around the world. As the foundation of Canada's agri-food sector, we positively impact global food security, the economy, and the social fabric of Canadian life.

Our submission to the pre-budget consultations focuses on three key themes to strengthen Canada's fertilizer industry: *protecting domestic and international competitiveness, strengthening supply chains, and supporting sustainability efforts.*

Protecting the Canadian Fertilizer Industry's Domestic and International Competitiveness

Canada produces potash and nitrogen-based fertilizers at facilities in Alberta, Saskatchewan, Manitoba and Ontario. We face challenges with the government's regulatory regime and efforts to implement decarbonizing measures. With an increasing price on carbon and an uncertain policy environment, Canadian fertilizer companies are struggling to compete for the significant capital investments necessary to decarbonize production and manufacturing facilities – in the range of hundreds of millions to billions of dollars per facility – without a premium market for lower carbon fertilizer products; there are no market drivers to improve project economics.

If left unaddressed, these challenges will worsen and erode the Canadian fertilizer sector's global competitiveness and provide advantages to competitors such as Russia, Belarus and China, which produce and sell fertilizers without the same commitment to environmental sustainability. These countries also lack carbon pricing mechanisms and other stringent environmental regulations and do not plan to introduce such mechanisms in the foreseeable future.

As a result, certain policies disproportionately diminish our industry's competitiveness in global trade, which could lead to decreased domestic production and an increased risk of carbon leakage abroad through loss of global market share, ultimately undermining global GHG reduction efforts.

Detailed Recommendations:

1. **Extend the Current Timelines, Scope, and Value of the Clean Investment Tax Credits:**

The current timelines, scope and value of the clean energy ITCs are limiting their ability to measurably improve decarbonization project viability.

Fertilizer Canada conducted a study – [The Fertilizer Canada Technology Roadmap](#) – in 2023 outlining the potential decarbonization technology opportunities for the industry and the challenges and constraints faced. Results indicated that the timeline for commercial implementation of Carbon Capture, Utilization and Storage (CCUS) is between five to ten years. Fertilizer Canada recommends that the government extend the full value of the Clean Hydrogen and CCUS ITCs until 2040. This extension will better align with the necessary timeframe needed to finance, plan, permit, and implement major decarbonization projects. Further, an extended timeframe could offer the opportunity to utilize the CCUS ITC for facilities in provinces such as Ontario and Manitoba, where there is an added delay associated with developing a regulatory framework to enable CCUS projects and build the necessary enabling infrastructure.

2. **Adjust the Emissions-Intensive Trade Exposed (EITE) Classification and Tightening Rate:**

Despite our industry being considerably emissions-intensive and trade-exposed, our products do not benefit from the “very high risk” EITE designation under the federal Output Based Pricing System (OBPS). This designation would reduce the rate of stringency on the carbon price applied to our sector’s emissions under those regulations.

To reflect the global reality we face, our nitrogen manufacturing and potash production sectors must be reclassified as “very high risk” EITE under both the federal OBPS and corresponding provincial programs. This adjustment would acknowledge the environmental standards we adhere to and recognize that our members face fierce competition from global competitors in Russia, China, Belarus, and elsewhere. The adjustment would lessen the risk of production and investment displacement to higher emitting jurisdictions.

3. **Remove the carbon price from industrial process CO₂ used for urea fertilizer production.**

In ammonia manufacturing, approximately 60 per cent of Industrial Process (IP) emissions are not emitted at the manufacturing site; instead, they are captured and

used as a feedstock in urea production. Urea is an important and commonly used fertilizer with the highest nitrogen content, which promotes plant growth and aids in the photosynthesis process. However, under the OBPS, 100 per cent of IP emissions are subject to the federal carbon price. This feedstock CO₂ in urea cannot be abated because it is used for the manufacturing process, yet the CO₂ is priced within the OBPS as if it is emitted on-site. Applying the carbon price on this portion of carbon amounts to a direct tax on Canadian urea and urea-based fertilizer production that our global competitors do not face. This policy approach is not replicated in all provinces.

We are asking the government exclude IP emissions that are captured as feedstock for urea fertilizers from the federal OBPS system.

Strengthening Supply Chains and Limiting the Impact of Harmful Disruptions

The world depends on Canadian fertilizer. Canada is responsible for approximately 40 per cent of the world's potash, with 95 per cent exported to over 75 countries around the world. To get our products to domestic and international growers, the industry relies on rail, port, and truck. In fact, 75 per cent of all fertilizer produced and used in Canada is transported by rail, with an average distance of 2,200 kilometers, highlighting our industry's dependence on our rail supply chains.

Since 2018, the industry has endured seven major labour disputes across Canada's supply chains. These disputes have led to significant economic losses and fertilizer production curtailments that harm jobs, the economy and Canadian and global food production.

These labour disruptions have long-term consequences and have damaged Canada's reputation as a reliable trading partner. For example, during last year's West Coast Port strike, Russia replaced Canada as the top potash supplier in key markets like Indonesia, and Malaysia. The reality is that a delayed shipment is a missed shipment. If Canadian companies cannot reliably supply customers, farmers around the world will turn to competitors like Russia and Belarus, which do not face the same environmental and regulatory standards but are able to offer dependable and affordable supply.

It should also be noted that Canada currently imports all of our phosphate fertilizers. The government recently added phosphate to the Critical Mineral List, recognizing its importance alongside potash, which already enjoyed that designation.

To limit these labour disruptions' impact, changes to the Canada Labour Code are required to strengthen the collective bargaining process. Additionally, we urge the government to designate fertilizer as an essential good, recognizing its critical contribution to Canadian

and global food security and ensuring its continued movement during supply chain labour disruptions.

Detailed Recommendations:

1. Legislative Changes to Canada Labour Code:

- **Amendment for Pre-Negotiated Arbitration Terms:** Establish mandatory pre-negotiation of terms for binding arbitration to expedite and streamline the negotiation process. This measure will help prevent negotiations from reaching a stalemate, leading to strikes and lockouts.
- **Integration of Cooling-off Periods:** Introduce more structured opportunities for cooling-off periods before any strike action can be legally undertaken, allowing additional time for both sides to consider the implications of a work stoppage.
- **Minimum Terms for Agreements:** Implement a minimum term length requirement for collective bargaining agreements, which will reduce the frequency of labour negotiations and potential disruptions.
- **Adoption of International Best Practices:** Review and adopt collective bargaining procedures that have proven successful in other jurisdictions, such as the United States, where supply chains have remained fluid even during periods of labour negotiations.

2. Recognize Fertilizer as an Essential Good:

In Canada, the primary application period of fertilizer is in the spring, a crucial time when farmers prepare their fields for planting. Similarly, in the southern hemisphere markets where we export products, this period occurs during our fall. Fertilizers must be applied at specific stages of crop growth to maximize effectiveness, and any delay in applying fertilizers during these narrow application windows can significantly impact the critical growth stages of crops, leading to decreased yields and significant economic losses. Fertilizer application accounts for 50 per cent of the global production of crops used for food, fuel and fibre.

To ensure farmers have access to vital fertilizer inputs, shipments need to be continuous throughout the year. Fertilizers are sensitive to weather and humidity and are stored for a maximum of six to 12 months, creating the need for a continuous purchasing cycle. Producers also have limited storage capacity to withstand supply chain work stoppages.

This is why we are calling on the government to make a legislative change to ensure the continued movement of fertilizer during labour disruptions. Currently, Clause 87.7 of the Canada Labour Code mandates continued services for the movement and loading of grain during port labour disruptions, a recognition of its essential nature. We assert that fertilizer deserves similar legislative protections due to its foundational role in food production and global food security.

Supporting and Encouraging the Ongoing Sustainability of 4R Efforts

Farmers adoption of 4R Nutrient Stewardship (Right Source @ Right Rate, Right Time, Right Place®) advanced practices has been widely recognized as being effective in balancing increasing crop yields with emissions reduction efforts. The Government of Canada has set ambitious goals for emissions reductions without the proper accounting and measurement tools that accurately capture farmers' actions to reduce on-farm fertilizer emissions. The adoption of advanced 4R practices presents a rare solution: where farmers are rewarded, not punished, for their actions while they become more profitable, emissions are reduced, environmental sustainability is increased, and the agriculture industry remains competitive.

Detailed Recommendations:

1. Invest in and Integrate 4R Data into the National Inventory Report:

The Fertilizer Use Survey, a long-standing initiative by Fertilizer Canada and its stakeholders, has been conducted since 2014 to determine fertilizer application practices of growers across Canada and raise awareness about 4R practices. By integrating this survey data into the National Inventory Report, we can improve the accuracy of farmer progress towards emissions reduction targets and support a joint effort to better capture on-farm data.

2. Improve Government Incentive Programs:

To improve incentive programming for farmers, the government should streamline the application process by establishing a single point of entry for funding programs that promote the adoption of best management practices (BMP) aimed at reducing fertilizer emissions, such as the On-Farm Climate Action Fund (OFCAF) and the Agricultural Clean Technology Fund.

Financial incentives should be enhanced, including increased OFCAF funding and the introduction of innovative financing mechanisms, to support both early and new adopters of BMPs. These incentives should also motivate farmers to participate in reporting programs like the 4R Designation and 4R Certification.

3. Develop a National Offset Protocol:

The Federal Government could increase the adoption of 4R BMPs by developing a national offset protocol for fertilizer emission reductions, allowing farmers to generate and sell credits for implementing best practices. Incentive programs that de-risk adopting advanced 4R practices are essential in reducing GHG emissions from fertilizer application. To protect farmers' competitiveness and ensure continued adoption and acceleration of advanced 4R practices and technologies, it is vital to develop a system with stakeholders that incentivizes farmers in the long term and is not solely dependent on government funding.