



VIA EMAIL

July 15, 2020

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Environment and Climate Change Canada
Government of Canada
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Dear Lorri,

Please find attached Grain Farmers of Ontario's comments on the proposed Clean Fuels Standard regulations.

Thank you for the opportunity to comment. We look forward to working together.

Sincerely,

Markus Haerle
Chairman



Grain Farmers of Ontario
Comments on criteria impacting farmers- Clean Fuels Standard - July 2020

I. OVERVIEW

The low-carbon fuels market is an important market for Ontario grain farmers, and we are pleased to see that Environment and Climate Change Canada is looking for ways in which ethanol and biodiesel produced from agricultural feedstocks including corn and soybeans grown in Ontario will help to meet Canada's goal to reduce carbon from fossil fuels used in vehicles on Canada's roads.

However, Grain Farmers of Ontario have some serious concerns about the proposed criteria for farmers within the Clean Fuels Standard regulations and the impacts of these regulations, as currently being contemplated, will have on farmers who rely on the current low-carbon fuels market.

Limited inventory of farmland topography, the lack of software technology to accurately analyze the regulations impact on farms and the lack of satellite imagery of farmland in Ontario makes it too difficult to fully assess the impact of the criteria for the Clean Fuels Standard for all Ontario farms. We have acquired individual farm examples including one farm that would lose \$1.5 million in productive land that would be eligible to grow corn or soybeans for the low-carbon fuel market in Perth County and another that would lose \$2.89 million in productive land if the Clean Fuels Standard were to go ahead with the proposed regulations as currently envisioned.

In addition, we fear that the US will not look kindly on more stringent rules for corn or soybeans sold into Canada than the US has for Canadian corn or soybeans sold into the US for biofuels. The US system has an aggregate system for determining eligibility allowing all US corn and soybeans to be covered by this system as well as all Canadian corn and soybeans are covered by this system. We fear that the Clean Fuels Standard may result in trade retaliations that will impact agricultural commodities.

II. RECOMMENDATIONS

To rectify the issues facing farmers within the proposed Clean Fuels Standard we present the following recommendations to be implemented before the regulations are published in the Gazette:

Grain Farmers of Ontario Recommendations for Clean Fuels Standard to work for Farmers:

1. Farmer-government dialogue, analysis and consultation prior to any movement on the regulations

To have a meaningful dialogue with corn and soybean farmers about the criteria that has been set out by Environment and Climate Change Canada to be included in the Clean Fuels Standard regulations including a full economic assessment to farmers, the scientific rationale and the practicality of implementing:

- a. Biodiversity criteria
- b. Land Use criteria
- c. Carbon Intensity methodology
- d. Cost of certification to farmers and how farmers will be compensated

2. Transparency with farmers in the calculations and data-sources used for farmer practices

To release the methodology for the Carbon Intensity (CI) number prior to Gazette 1 of the Clean Fuel Standard regulations to allow farmers to evaluate and determine the value being allocated to their farming practices within the CI modelling and datasets Environment and Climate Change Canada have determined.

3. No adverse trade impacts on farmers by ensuring continued cooperation and free trade with the United States on agriculture commodities and no adverse impact from these regulations on the Canada/US trade relationship

To thoroughly examine the trade implications from the CFS criteria for eligible production on the US/Canada relationship specifically on the flow of corn between the two countries

III. Concerns

Grain Farmers of Ontario's concerns about the Clean Fuels Standard Criteria' impact on farmers stems from the following:

1. Lack of Consultation and Evaluation of impact on farmers

The drastic changes to the regulations from the June 2019 consultations that are currently being contemplated as eligibility criteria for corn and soybeans grown in Ontario that will impact significant farmers without proper consultation. No riparian zones or setbacks were mentioned in the previous version of the regulations.

2. Potential trade retaliation by the United States on agricultural commodities

An uneven playing field between the US & Canada is created by the criteria set out in the Clean Fuels Standard. Criteria that needs to be met by US corn and soybeans under the proposed CFS will be more stringent than for Canadian corn and soybeans destined for the US low-carbon fuels market under the Renewable Fuels directive

3. Additional costs to farmers created by the Clean Fuels Standard

Requirement for farmers to document and certify their practices to access the Canadian low-carbon fuels market creates costs that will be borne by the farmer as the regulations are currently contemplated. This needs further examination for how the farmer can be compensated for these costs.

4. The reduction and/or elimination of markets for farmers who are unable to comply with biodiversity and land use criteria

The number of acres of farmland that will not be able to be cultivated for the low-carbon fuels market due to biodiversity and land use criteria and the lack of scientific rigor in the criteria for biodiversity and land use needs analysis.

5. The inability for Ontario corn and soybean farmers to assess the value of the low-carbon fuels market being created by the CFS until the regulations are already in place

Ontario corn and soybean farmers are not able to determine the true value of the CFS due to the fact that vital information pertaining to the Carbon Intensity methodology and the resulting carbon intensity numbers has not been made available for farmers and will not be prior to the regulation being in place.

IV. BACKGROUND

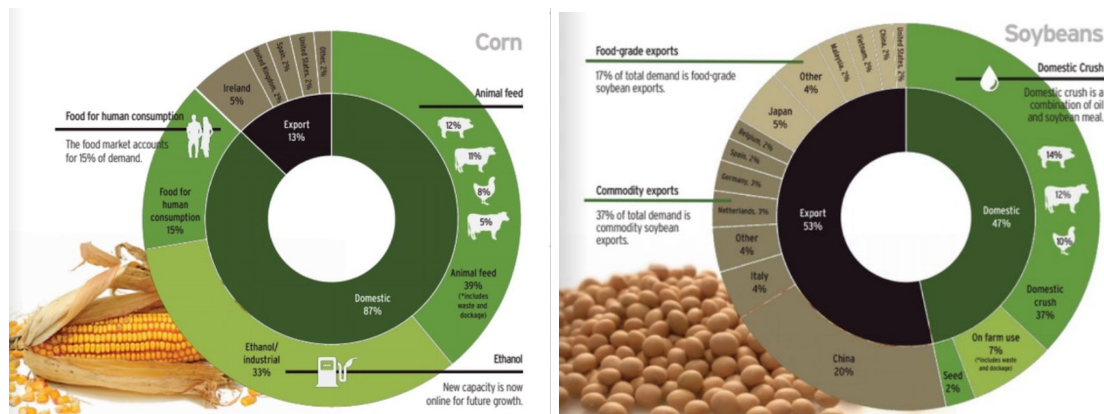
Who we are

Grain Farmers of Ontario is the province's largest commodity organization, representing Ontario's 28,000 barley, corn, oat, soybean and wheat farmers. The crops they grow cover 6 million acres of farmland across the province, generate over \$4.1 billion in farm gate receipts, result in over \$18 billion in economic output and are responsible for over 75,000 jobs in the province.

Ethanol and biodiesel along with export markets are all essential markets for our farmer members.

Ontario is a net importer of corn which primarily comes from the US, and the domestic production of corn destined for the ethanol market accounts for 33% of corn produced in Ontario. Fifty-three percent of soybeans are exported and 7% of soybeans are produced into soy oil that is used in biodiesel production.

Corn ethanol plants in Ontario brings a value of \$1.017 billion to Ontario and provides 500 jobs (Doyletech 2019 – Grain Impact Analysis).



Source: Market Utilization of Grains Synthesis Agri-Food Network

V. THE DETAILS

1. Drastic Changes that impact farmers in the proposed regulations since June 2019 with no meaningful consultation with the corn and soybean farmers

In June 2019, Environment and Climate Change Canada provided draft regulations that are drastically different than what is being contemplated today. There was no reference to riparian zones nor buffer strips. These changes need to be evaluated for their impact on farmers and further consultation is required with the corn and soybean growers from across Canada before the regulation is published into Gazette I.

Currently the appropriate level of information required including a detailed land topography inventory, satellite imagery and software to analyze these proposed changes to the regulations is not available. Only discussions with farmers and the farm community that represents them will yield an understanding of the complexity and costs associated with the proposed biodiversity and land use criteria.

We have attempted to outline some of the general concerns in this document but additional study is required before the law is put into place.

2. Certain criteria within the Clean Fuels Standard could create political tensions with the United States just after the signing of the USMCA that could put farm commodities at risk

The United States has a system in place that deems Canadian and US corn as sustainable. The proposed CFS regulations would create situation whereby corn in Canada would be considered sustainable in the US but US corn may not be considered sustainable in Canada. This will cause political tensions, if you were to imagine the following scenario playing out in the marketplace.

A corn farmer in IOWA whose corn is rejected by a Canadian low-carbon fuel manufacturer because it does not meet the criteria. Now imagine that same farmer from IOWA finds that he or she cannot sell his or her corn to a New York low carbon fuel producer because they have already bought corn from Canada. That is what will happen if these proposed Clean Fuels Standard regulations go ahead with the current criteria for biodiversity and land use.

Canada enjoys many trading relationships that our farmers rely on. Any disruptions in trade relationships can wreak havoc on prices for our farmers. The trade of corn and soybeans between the United States is best described as fluid. The US imports Canadian corn and soybeans and Canada imports US corn and soybeans freely. This allows Canada's manufacturers continuity in their business by allowing them to access corn and soybeans as needed.

An uneven playing field between the US and Canada is being created by the criteria for the qualification of corn and soybeans destined for the biofuels market that is outlined currently in the proposed biodiversity and land use criteria for the Clean Fuels Standard.

The United States has established that corn and soybeans produced in Canada meets their criteria for sustainability. The methodology for determining corn and soybean sustainability in Canada is different and more stringent.

3. Certification will cost farmers money & there is no clear way for this cost to be recouped by farmers

Within the proposed Clean Fuels Standard there is a requirement for farmers to have documented and certified their farm practices in order to sell their corn or soybeans into the low-carbon fuels market. There is an inherent cost to this process that has not been quantified and nor is there a clear description on how the farmer will be compensated for this work.

Corn and soybeans are both commodities that are sold based on prices determined by the Chicago Board of Trade. There is no way for the farmer to set his or her price to cover the expenses incurred in providing the documentation needed for certification based on the criteria required by the regulations.

If the farmer were not compensated for this documentation this would be one more expense on the farmer that would come out of his or her bottom line. Farmers are currently facing increased costs for inputs and lower prices. Additional expenses cannot be borne by the farmer alone, a method for compensating the farmer needs to be contemplated if this requirement continues to be a part of the process required under the regulations. Or another method for establishing sustainability is needed. Currently the US Renewable Fuels Standard uses an aggregate method for all crops in the United States and Canada that requires no documentation for farmers, and therefore no expense while still highlighting the sustainability of the feedstocks.

4. Biodiversity Criteria is not scientifically sound and will have major impacts on farmers

There is no scientific basis for eliminating corn or soybeans grown on a 30 metre buffer strip near a waterbody in Ontario and this will have major costs to farmers

It is impossible to know the total impact of this 30 metre buffer strip on corn and soybean production value in Ontario as there is no current inventory to look at. Current satellite maps of farms do not have the detail required to examine the entire landscape of Ontario farms.

ECCC has not released any analysis or study that is the scientific basis for the call for 30m buffers under the CFS. We ask for a copy of this study as a basis of further consultations. We note that such buffers fall within provincial jurisdiction and these buffers are already the law in Ontario. The current laws on this issue reflect decades of actual experience on the best way to ensure biodiversity near waterways which is what the farmers of Ontario had done and continue to do. In our view there is no demonstrated need for a Federal regulation on this issue

Instead you find below a real-life farm example from Perth County, the calculations show that applying a 30-meter buffer strip would result in the loss of \$1.5 million to a single farmer. Below that chart you will find several examples of how this buffer strip will cause a variety of issues that will impact farmers depending on their type of operation.

**Real Numbers from a Farmer in Perth County
Impact of the Clean Fuels Standard
30 metre buffer strip**

	Water Body requiring CFS buffer (ft)	Productive Land Lost (Acres)	Net Loss to farmer (\$20k per acre)
Owned Parcels			
Home farm	2,800	6.33	\$126,501.38
Chicken Farm	3,015	6.81	\$136,214.88
New Farm	3,400	7.68	\$153,608.82
Rented Parcels			
Town Road	970	2.19	\$43,823.69
Concession 8	3,975	8.98	\$179,586.78
Moore Farm	6,250	14.12	\$282,369.15
The Jakes	1,250	2.82	\$56,473.83
Janes	200	0.45	\$9,035.81
Concession 15	2,800	6.33	\$126,501.38
Stans	10,600	23.94	\$478,898.07
Total		79.65	\$1,593,013.77

Example A

Farmer X has a 100-acre corn field with a stream running through the middle of the field. This is the only corn field Farmer X grew this year and is located directly across from ethanol plant A. Farmer X usually ships all the corn here. Using the 30-meter buffer rule, Farmer X would have 12 acres of the field that would not qualify under CFS. As a result, Farmer X would only be allowed to ship 88% of the total corn crop of this field to ethanol plant A. As Farmer X has no storage, they would have to ship the remaining 12% to another market as ethanol plant A would be unable to receive the corn to comply under CFS.

Example B

Farmer Y is a large farmer who grows 1000 acres of corn. Within the 1000 acres of corn there are a number of streams running through the property. Using the 30-meter buffer rule, Farmer Y would have 50 acres that would not be in compliance under CFS. Farmer Y has enough storage for the entire corn crop and as a result would be required to maintain an accounting system to know that only 950 acres or 95% of the entire corn crop would be in compliance with CFS. As a result, Farmer Y could only deliver 95% of the total corn crop to an ethanol plant. Farmer Y would have to find another market to deliver the remaining 5%.

Example C

Farmer X has a 100-acre corn field with a stream running through the middle of the field. Farmer X usually ships all of the corn to the local county elevator at harvest. Using the 30-meter buffer rule, Farmer X would lose 12 acres of the field. The local county elevator notes to Farmer X they supply an ethanol plant with corn. As a result, Farmer X would be allowed to ship 100% of the total corn crop to the county elevator. Farmer X would have to notify the county elevator the amount of the crop that meets the CFS requirement. The county elevator will also have to maintain an internal accounting system to know that only 88% of Farmer X's corn would be in compliance with CFS. The 12% that doesn't meet the CFS is the responsibility of the county elevator to find a non ethanol market. The county elevator accounting system will be required to fully understand the total percentage of corn they buy from farmers and what is in compliance with the CFS.

Example D

Farmer Y is a large farmer who grows 1000 acres of corn. Within the 1000 acres of corn there are a number of streams running through the property. Using the 30-meter buffer rule, Farmer Y would have 50 acres that would not be in compliance under CFS. Only 95% of the entire corn crop would be in compliance with CFS. Farmer Y delivers all corn to two separate county elevator, both supply ethanol plants. It will be up to Farmer Y to maintain an internal accounting system to notify each separate county elevator on delivery what % of his total annual shipment is in compliance with the CFS.

5. Land Use Criteria will mean certain acres of productive farmland in Ontario will be eliminated from producing crops that can be sold into low-carbon fuels markets

Rules around land use changes since 2008 are a major hurdle for farmers in Ontario. Any land use change over 0.5 acres would be deemed ineligible to grow corn or soybeans on and still be able to sell into the low-carbon fuels market.

This means that a farmer who took down a couple of trees to square up a field would probably be considered ineligible. In addition, the technology available today does not have the resolution level required that will be able to show the land use from 2008 with any accuracy so it is difficult to estimate the number of acres that will be deemed ineligible. We have spoken to several farmers and this is a real concern.

As an example we have provided the details of a real farmer below who farms 1350 acres of productive farm land and has cut down a total of 3 acres of land after 2008. if this criteria continues to be included then the farmer will lose 323 acres of productive farm land at an estimated net loss of \$3.4million to his or her farm.

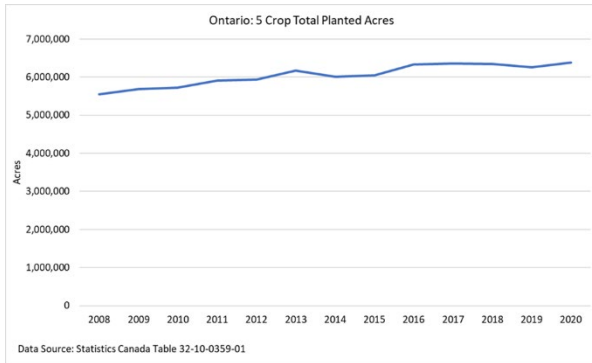
Clarification is also required on what is the difference between a primary forest on high biodiverse land and forest on high carbon stock land.

A typical farm in the Chatham Kent area Multiple small fields Impact of the 2008 date on land use If 0.5 acres is changed then the entire field is rendered unusable for cultivation for low-carbon fuels market			
	Productive Land (Acres)	Total acres removed since 2008	Net Loss to Farmer (@\$15,00 per acre)
Total Acres Farmed	1350	3	\$3,428,000
Field 1	95	0.5	\$1,425,000
Field 2	45		
Field 3	9	0.5	\$135,000
Field 4	25		
Field 5	46	0.5	\$690,000
Field 6	50	0.5	\$750,000
Field 7	50	0.5	\$750,000
Field 8	50		
Field 9	50		
Field 10	73	0.5	\$1,095,000
Field 11	70		
Field 12	69		
Field 13	91		
Field 14	28		
Field 15	49		
Field 16	27		
Field 17	36		

6. Canadian Farmers will be penalized for the amount of corn and soybeans grown in other countries

Limitations within the Clean Fuels Standard of 10% expansion of high carbon stock land globally will end up penalizing Ontario corn and soybean farmers eventually.

The expansion of land used to grow corn and soybeans in Ontario is not increasing, in fact over the last 10 years, the land used to grow corn and soybeans has relatively static.



Right now, high carbon stock land use expansion
 Corn is at 4% and for soybeans that number is 8%.
 Once one of these hit 10%, farmers in Ontario will
 be unable to grow corn or soybeans and sell them
 into Canada's low carbon fuels markets.

This may seem like a good idea to keep other
 countries from selling farm products grown in
 countries outside of Canada that don't have
 protections in place. But ultimately this will result

in farmers in Canada not being able to access and sell into their own domestic market. The use of the European Union approach to ILUC could have perverse, negative effects on Canadian feedstock and biofuel suppliers.

Land dedicated to growing soybeans and corn in South America and Russia/Ukraine is on the rise at a speed greater than before. In fact, 2968 square kilometres of the Brazilian rainforest have been deforested from January to June of 2020. The highest forest clearing throughout this year compared with the same timeframe of the last five years. (July 9, 2020 GRAS System Newsletter).

Ukraine and Russia will eclipse both Argentina and Brazil as corn exporters by 2022/2032 (Farm Progress 2020).

If these two regions continue to grow their production of corn and soybeans, they could effectively eliminate the ability of corn and soybean farmers to contribute to an ethanol and soy biodiesel production in Canada under the proposed regulations for Clean Fuels Standard.

This would eliminate a vital market for Ontario corn farmers with 33% of Ontario corn production going into ethanol.