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Chair

Mr. Bev Shipley

Standing Committee on Agriculture and Agri-Food

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• (1530)

[English]

The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)): I'd like to call the 10th meeting to order, pursuant to Standing Order 108(2). We are continuing a study of the Canada-European Union Comprehensive Economic and Trade Agreement, better known as CETA, and the effects of it on the Canadian agriculture sector.

Just before we start, we will have a short business meeting for 10 minutes following the open session, starting at 4:30. That is just a heads-up.

I welcome, from the Canadian Renewable Fuels Association, Scott Thurlow, who is the president. Welcome, Scott.

Also, from the Canadian Sugar Institute, we have Sandra Marsden. Sandra, welcome. Sandra is the president, by the way; and Mike Walton is vice-president of sales and marketing.

I'm not sure who is going to start.

We'll start with Scott, in terms of renewable fuels. You have a 10-minute presentation.

Mr. W. Scott Thurlow (President, Canadian Renewable Fuels Association): Thank you very much, Mr. Chairman.

On behalf of Canada's biofuels producers, thank you for this opportunity to provide our views on the Canada-EU Comprehensive Economic and Trade Agreement.

Each year Canada's domestic biofuels industry returns more than \$3 billion to the economy and removes over 4 million megatonnes of carbon from the environment. We represent the producers of renewable fuels. For ethanol, we upgrade wheat, corn, forest products, and municipal solid waste. For renewable diesel, we use soy, canola, rendered tallow, used cooking oil, and corn oil.

Our association also includes every aspect of the value chain for renewable content, from the producers of the feedstock to the eventual customer, the traditional petroleum sector.

Our industry has created over 14,000 quality jobs and delivers the same greenhouse gas reduction benefits as removing one million cars from our roads every year. CRFA members have built an established industry that is well positioned; however, we operate in a very competitive global marketplace. Today, in 2013, Canada is a net importer of renewable fuels. Our open North American fuels market allows for cross-border trade. The federal mandate created by this government requires 2.1 billion litres of ethanol a year, and yet we

consume approximately 2.8 billion litres a year, almost all of which comes from the United States.

In Canada, imports from the United States go specifically to over-compliance with the federal regulation. The reason for this is that ethanol currently has a lower price when compared to fossil fuels. It's almost a buck a gallon less expensive. It is a traded commodity on the Chicago Board of Trade.

This over-blending saves consumers money at the pump, reduces harmful GHGs, and gives domestic fuel added octane enhancement. It also means our domestic biofuels producers need expanded market access.

For these reasons, the CRFA strongly supports the government's efforts to open foreign markets for our products. There is in Europe an ambitious policy to increase renewable content in their transportation fuels to 10%. Some of their automakers and oil and gas companies are recommending a 20% ethanol blend by 2025, and a 7% biodiesel mandate. Certainly, there is a future market opportunity there for biofuels.

In Europe we see growth in the biodiesel sector. To the extent that we can enter that market, it is largely in the biodiesel market; it is less so on the ethanol side, mostly due to massive amounts of ethanol from Brazil and from the United States.

CETA will open significant new market opportunities, mean greater access for Canadian biofuels, and expand markets for all of the value-added, bio-based products our advanced producers generate. CETA's ratification would aggressively curtail tariffs on our products. This can only be a good thing.

In total, it's estimated that CETA has the potential to create more than \$50 million in new market opportunities for Canadian renewable fuels and agricultural co-products.

Of particular interest to our members is the reduction on tariffs for chemical products. Our industry is at the forefront of developing new, sustainable chemicals that would be especially valuable in Europe. Is there a true market opportunity for renewable fuels? Maybe not today, but certainly in the future. Eradicating tariffs would go a long way to ensuring access to those markets.

But to get the most out of any trade agreement, especially one of this scope and magnitude, we have to ensure that our businesses can actually capitalize on all the potential benefits. Like all trading partners, we don't think the same way about everything. For starters, while the Europeans have a 10% commitment for biofuels as part of their renewable energy directive, European legislators are giving serious consideration to a backwards-thinking, indirect land use change component to their renewable fuels directive.

This proposal would cap crop-based biofuels at a level below current European production. While I can assure you this is a problem for European biofuels producers, this is a direct affront to Canadian producers, including corn, wheat, canola, and soy, that are looking for new markets to ship their products to as either feedstock or as finished product.

There is irrefutable evidence that ILUC has not come to fruition. By way of example, in Canada we are growing more crops on less land. This has occurred since the advent of the renewable fuel standard, and many argue that it happened because of it.

Another concern we have is that Europeans maintain a very low tolerance for genetically modified grains destined for feed use. These products specifically have helped to drastically improve crop yields and ensure the feedstock is available for our products—and feed at a lower cost.

• (1535)

But as my friends from the Grain Farmers of Ontario explained to this committee, one of the most promising points under the agreement is that Canada and the EU will establish a working group to examine biotech issues and ensure they do not disrupt trade. This open dialogue and collaboration on the issue of genetically modified grains is an exceptional step forward in our relationship with the EU, and we look forward to contributing to this working group.

But if that committee doesn't work, the importance of the effective and swift dispute resolution mechanism that would be found in CETA cannot be overstated. Our industry has seen first-hand the challenges that weak mechanisms provide, and I am sure you will agree that WTO challenges are not the objective of any trade deal. The dispute resolution mechanisms that are found in the CETA framework are of the utmost importance.

At their core, trade agreements like CETA allow countries to do better business with each other. They also give countries a chance to learn from one another. Very recently the European Union adopted a comprehensive bio-economy strategy and invested 2 billion euros in research, commercialization, innovation, and skills for the bio-economy. As I mentioned, CETA provides provisions for cooperation in the area of biotechnology. This is a significant accomplishment for our trade negotiators.

Our domestic policy leaders should also take note: Canada currently does not have a domestic bio-economy strategy. As a country, we need a national plan to capitalize on our natural wealth of biomass, attract private investment, and enhance synergies with other policy initiatives. And given similar initiatives coming out of the U.S. and Europe, we need to have it sooner rather than later or we will be left behind.

Another feature that we are very appreciative of is what I will call the mirror-image rule. It's not so different from a flyer or a coupon we sometimes see that says they'll match any advertised offer from their competitors. As a result of CETA, Canada will be able to match any other aspect of future deals that Europe negotiates, like, for example, the one they are starting to negotiate with the United States. There is currently a very strong disagreement between the U.S. renewable fuel producers and the Europeans, and this is a dispute that does affect Canada.

Finally, Europeans have very effectively monetized carbon while addressing challenges inherent in their low carbon standards. Obviously, their system is not perfect and undoubtedly it is a challenge for some of our energy producers, all of whom should use the dispute resolution mechanisms that will be found in CETA.

More needs to be done in terms of our federal policy and regulations. If this sounds familiar, a top executive from Royal Dutch Shell said the same thing on Tuesday. The certainty of regulations in this space will incent investment, because today, as the Shell executive said, they can't make investments until they have regulatory certainty. We verily believe that our renewable fuels are the lowest cost compliance pathway for GHG reductions across all the different sectors the federal government is currently looking at, not just the transportation sector.

Canada needs to seriously consider how to integrate with the European carbon market to ensure our producers can be assured of a fair market value for the greenhouse gas reduction benefits that biofuels and sustainable products provide. The driver for using our fuels in the future is fairly recognizing the GHG attributes they possess and allowing all industries to use them to meet their reduction obligations. Europe has done this.

Members of the committee, I would like to conclude my remarks by commending the government in bringing forward the CETA deal. And I would like to conclude by offering my full compliments to Steve Verheul and his team in negotiating this landmark agreement. The CRFA believes that CETA will succeed in securing global trade markets, not just for the green fuels of today but also the growing range of advanced bio-based products of tomorrow. Ultimately, it will give us a chance to open more doors, grow our exports, and contribute to building Canada's bio-economy, all of which is absolutely critical to ensuring Canada's long-term economic and environmental prosperity, for today and for generations to come.

Thank you very much.

• (1540)

The Chair: Thank you very much, Mr. Thurlow.

Now we'll turn to the Canadian Sugar Institute and Ms. Marsden.

Ms. Sandra Marsden (President, Canadian Sugar Institute): Thank you very much.

The Chair: You have 10 minutes, please.

Ms. Sandra Marsden: I'll begin, and then Mike Walton of Lantic will follow.

Thank you very much, Mr. Chairman and members of the committee.

The Canadian Sugar Institute represents all manufacturers of refined sugar in Canada, and that includes sugar from imported raw cane sugar and sugar beets grown in Alberta. We have three cane refineries in Canada, in Vancouver, Montreal, and Toronto, and a sugar beet processing plant in Taber, Alberta. About 90% of the sugar in Canada is refined from raw cane sugar, and 10% from sugar beets.

The industry also has two further processing facilities that add value to sugar in Canada, and those are in Ontario, producing products like iced tea, hot chocolate mixes, gelatin, desserts, and so on. Most of those products are exported to the United States under quotas that are fixed under NAFTA.

The Canadian sugar market is an open market, so we have to compete with all the other sugar suppliers around the world. Certainly, the United States and Europe would be our two main competitors. The only protection we have from world market distortions is a \$31 per tonne tariff, and depending on world prices, that's about a 5% to 8% import tariff. That's in sharp contrast to the U.S. and European Union, which have tariffs in the order of 100% or more. So we haven't got much to give up in these trade negotiations. We have more to gain in export access.

It's not surprising that given these trade inequities we strongly support trade-liberalizing negotiations for the potential they can bring to improving our export access. CETA is the first meaningful trade agreement for Canada overall to be negotiated since NAFTA. It's particularly valuable to our industry because it is a high-value market. In Europe, there's demand for the high-value sugar and sugar-containing products that our industry produces. It's also meaningful because today we have zero access to the European market for our products.

When fully implemented, a key benefit of this agreement will be to remove tariffs on Canadian exports of beet sugar. That will be gradually phased out over a seven-year timeframe, so that will certainly be of value to the sugar beet processing and sugar beet producing sector of our industry in Alberta.

Refined cane sugar, which I mentioned represents 90% of our production, cannot benefit from that tariff phase-out because it does not meet the European rules of origin. You probably heard from others attending this committee that the rules of origin have been a problem for Canada in many different sectors. For this reason we look to encourage our negotiators to obtain some specific volume access because cane sugar in Canada cannot benefit from any general tariff elimination, like many sugar-containing products, because of the sugar content of those products.

There is new access: 30,000 tonnes initial quota, growing to about 52,000 tonnes over a 15-year period, and that's important because it will build on existing investment that's already in Canada. So those value-added processing facilities I mentioned in Ontario that produce products for the United States will be able to produce more of those same products for the European market. In turn, that will benefit

Canadian refineries in Ontario and Quebec because they will be supplying those further processing facilities with sugar.

Also, for many other food products, tariffs will be eliminated, but there will also be difficulty exporting because of those strict rules of origin. For those products, the government also negotiated some quotas for things like sugar, confectionery: 10,000 tonnes for chocolate and sugar confectionery, and 35,000 tonnes for other processed products such as baked goods, breakfast cereals, mixes and doughs, and so on. Sugar isn't the only input to those quotas, but certainly with more exports of further-processed products, there will be more sugar to supply. The Canadian industry is well positioned in Canada to supply food processing, so there's a mutual benefit from that.

Ultimately, we believe this will enhance the competitiveness of our food industry, which today has really plateaued in terms of exports. It's a big industry in Canada. Looking at just major sugar users in the food industry, that represents about \$18 billion of sales in Canada, and \$5 billion in exports—that's confectionery products, baked products, cookies, mixes and doughs, sweetened dairy products, sweetened fruit products. So it's about a quarter of Canadian exports of processed foods.

● (1545)

That sugar input, which is at world prices, enables those products to be very competitive in export markets, so we can't really overstate the value of this agreement in terms of facilitating that trade.

Overall, the Canadian refined sugar industry needs access to export markets, as do our customers. CETA is a critical new opportunity to diversify those markets. Today about 90% of processed foods are exported to the United States, and that trade has plateaued.

We now encourage both the Canadian and the European governments to quickly ratify the agreement—we know it will take some time—and to implement the necessary administrative mechanisms to make sure that we actually benefit from those tariff reductions.

Finally, looking ahead, CETA is also extremely important for the precedent it sets. It's not the last agreement that will be negotiated, and our industry in particular is very much focused on the Trans-Pacific Partnership negotiations. We see this agreement as sending a very important signal to those negotiations to work towards comprehensive trade deals.

Thank you.

The Chair: Thank you, Ms. Marsden.

I'll go to Mr. Walton.

You have about four minutes.

Mr. Mike Walton (Vice-President, Sales and Marketing, Lantic Inc, Canadian Sugar Institute): Thank you.

I am vice-president of sales and marketing for Lantic, a Canadian-owned company with more than 650 dedicated employees across the country and annual sales of over \$600 million. Lantic is the largest refiner of sugar in Canada by way of its two brands: Lantic and Rogers.

We have three capital-intensive refined sugar operations in Canada: two cane refineries, one in Montreal and the other in Vancouver, as well as a beet processing plant in Taber, Alberta. We also have a distribution centre in Toronto and a blending facility in Scarborough, Ontario, that produces products such as iced tea and dry dairy and bakery blends for the Canadian and U.S. markets.

Today I would briefly like to reinforce the comments made by Sandra Marsden and emphasize the value of this historic trade opportunity for our company.

For Lantic, this agreement marks a welcome opening of trade opportunities into the previously closed European Union market. The only meaningful export market we have today for Canadian sugar is the U.S. market, which provides for a modest quota access for Canadian beet sugar from our plant in Alberta. In the long term, the gradual elimination of EU duties on sugar from Canada will be a very important benefit to our sugar beet processing in Alberta and our grower partners.

In the near term, Lantic will benefit from additional sugar sales in Canadian-made sugar-containing products produced at our blending facility in Scarborough, as part of the initial 30,000-tonne quota that will grow to over 52,000 tonnes over time. This will also enhance the efficiency and competitiveness of our sugar refinery in Montreal, Quebec, through the addition of refined sugar.

Finally, new market access into the European Union for sugar and chocolate confectionery and other processed foods that use sugar will also benefit Lantic and its customer base in Canada. Over time, these new export opportunities will help support jobs and economic growth in the Canadian sugar and processed foods industry.

We at Lantic applaud the ongoing efforts of the government to widen Canada's commercial relationships on a global basis. CETA is a very positive development in a highly restricted global market. We also believe that this comprehensive agreement sets the stage for Canada's ambition in other trade negotiations, such as the TPP. We strongly support and encourage the trade-liberalizing negotiations that will help us diversify our customer base and ensure that Lantic continues its important contribution to the Canadian economy, as it has done for over a century.

Thank you.

• (1550)

The Chair: Thank you very much, Mr. Walton.

We'll now go to our rounds from our members, but first of all, I want to welcome Mr. Albrecht; Mr. Dreesen, who has been on the committee before; and Mr. Giguère as part of the committee today.

I will start off with five minutes for Mr. Allen, please.

Mr. Malcolm Allen (Welland, NDP): Thank you very much, Mr. Chair.

Thank you to our witnesses for joining us this morning. As I indicated to you before you started speaking, as the opposition we are obviously very supportive of the sugar industry, since we just ate great big lumps of it, quite frankly, in that confectionery—

Voices: Oh, oh!

Mr. Malcolm Allen: —that was brought by my colleague, Francine Raynault, which was delicious, by the way. I'm not sure I should eat that much sugar in one go, but nevertheless, from time to time these things happen.

I want to go to Mr. Walton and then to Mr. Thurlow.

I'm interested, Mr. Walton, in the sense that it's kind of in the same vein, but clearly we know the country of origin. We don't grow sugar cane in this country. That's just the reality of the situation, for obvious reasons, as it's not nearly hot enough up here.

But we do have sugar beet. Now, we've had folks come before us before and talk about sugar beet in the sense of how there just isn't any more, in the sense that capacity was limited as such. The country of origin for sugar beet is here, which clearly gives us a different sort of access point in CETA than sugar cane does, because, as Ms. Marsden quite correctly pointed out, it's not a country of origin. The auto sector was plagued with the same issue. They got a quota of 100,000 units, and you have quotas of tonnes, moving up.

Do you see opportunities in the sugar beet field to do... It's not for me to tell you what the business model should be, but I would be thinking about whether I would switch all my exports coming out of sugar beets and use the sugar cane domestically. Or do I do different things? Is there thought given to that? Or is there capacity? Maybe those are the two pieces I need to know.

Mr. Mike Walton: Certainly we have capacity if more markets open up. As evidenced, and as Sandra pointed out, over seven years the tariffs on refined beet sugar from Canada will be eliminated in the EU. We would be aggressively looking for access to those markets for those products.

Mr. Malcolm Allen: So your plant has capacity?

Mr. Mike Walton: It does have some modest capacity.

Mr. Malcolm Allen: Okay. So we just need to get the growers. Sometimes the capacity is there, but maybe we don't have the growers. But that's a different issue.

That's good to know, sir. I appreciate that.

Mr. Thurlow, on the biodiesel end, there is a biodiesel plant in Welland, as you know. It's a new one that opened up not quite a year ago. They've been working on it for about two years.

I'm not sure if I caught it right, but did you say that at the moment we're not actually producing for the internal market sufficient quantities of bio-product? Is that correct?

Mr. W. Scott Thurlow: That is correct. On the ethanol side, we're very close. We produce 1.8 billion litres. We import about 1 billion litres from the United States. But our mandate, which was established by the Conservative government, only requires 2.1 billion litres. So we actually are over-complying with that mandate. The only time we need to import is actually July and August, during the heavy driving season. That's when we don't have enough capacity. We absolutely have to import to meet the mandate.

On the biodiesel side of the equation, it's very different. The first reason is that there is a credit in the United States, called the blenders tax credit, which is available to anyone around the world to take advantage of. So 100% of biodiesel production in Canada goes down into the United States first.

Then the market dynamics allow for the biodiesel...most of which is probably Canadian canola, which is upgraded and then comes back into Canada. That product will find a home somewhere in North America.

So yes, currently right now we do import product. But I think "import" is kind of a funny way of looking at it, because most of that biodiesel I don't consider an import. I see it as Canadian canola that is just upgraded in the U.S. There is actually a plant that just opened in Lloydminster, Alberta. The Archer Daniels Midland plant will upgrade to create 260 million litres of biodiesel a year. With that plant coming online, our ratio of biodiesel to import-export will change significantly.

• (1555)

Mr. Malcolm Allen: That was going to be my next question. My sense of CETA would be that if you send it south for the tax credit to have it refined and bring it north and try to ship it to CETA, it's going to end up as the country of origin not being the right place. That's my guess. But I'm glad to hear about the additional plant that you were talking about.

The other side I'm interested in—I'd like you to expand on it only a tiny bit, because my time is just about to run out—is the whole sense of what you see the Europeans doing vis-à-vis what they would consider to be agriculture product used in the bio field, and how that impacts.... Does it flow here? I think you said yes, but I just want to be clear about that.

Mr. W. Scott Thurlow: They have a policy in their renewable energy directive. They're considering a policy that would cap the amount of biofuel that could be made from crops. It's a ridiculous policy. That will have an adverse impact on canola, corn, and soy products that would head to Europe.

The Chair: Thank you very much. That was good timing.

Mr. Payne, please, for five minutes.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Mr. Chair.

Thank you to the witnesses for coming.

Of course, Lantic has that facility in Taber, which is currently in my riding but in 2015 will be part of somebody else's.

A voice: [*Inaudible—Editor*]...Conservative.

Voices: Oh, oh!

Mr. LaVar Payne: You didn't have any action on that, I hope.

At any rate, I have a couple of questions. First, I missed the percentage of the tariff that's currently on sugar going into Europe.

Ms. Sandra Marsden: It's 419 euros per tonne. It depends on the price, but it's over 100%.

Mr. LaVar Payne: That's pretty heavy.

Ms. Sandra Marsden: It's high, yes. It's prohibitive.

Mr. LaVar Payne: No kidding.

Ms. Sandra Marsden: We've never been able to export to Europe.

Mr. LaVar Payne: Right now, Mr. Walton, as I understand it, most of that sugar from beets goes to the U.S.?

Mr. Mike Walton: Anything we're going to export out of Canada goes to the U.S., yes.

Mr. LaVar Payne: Okay.

You did sort of suggest that there will be opportunity for potentially more into Europe over a period of time.

Mr. Mike Walton: Over seven years.

Mr. LaVar Payne: Over seven years: right. What would happen in terms of the sugar? Would you be sending it south or north? I know that the U.S. also has some big tariffs on sugar and some major issues that we've tried to work on over a period of time.

Mr. Mike Walton: Yes. I mean, it all comes down to an economic equation at the end of the day. Where you can get the best value for your assets and your growers is where you will go. If you look at the economic model today and fast-forward seven years, I would say that Europe would be high on our radar.

Mr. LaVar Payne: Okay. Obviously, the removal of the tariffs would make it much more attractive.

In my recollection—and you can tell me if I'm wrong—it seems to me that a couple of years ago the acreages were somewhere around 40,000 acres for sugar beets, and last year I believe it was around 24,000.

Mr. Mike Walton: Yes. Last year it was around 24,000. That's correct.

Mr. LaVar Payne: What about previously?

Mr. Mike Walton: We were higher, but I don't think we were at 40,000. I think we were at 30,000.

Mr. LaVar Payne: Thirty? Somehow I had that other number in my head.

You probably read the article in the *Lethbridge Herald*, so I'd like you to comment on Gerald the Third's.... I'm not sure what his name is.

Voices: Oh, oh!

Mr. Mike Walton: I'll let Sandra comment.

Ms. Sandra Marsden: I think there's perhaps a lack of information about CETA and what it's achieving. Certainly, the acreage is down somewhat in Alberta, and that simply reflects the market situation. The U.S. had an emergency shortage situation for sugar over a period of a few years because of some horrific disasters. They had Hurricane Katrina. They had a million-ton refinery explosion that essentially took a million tons of production out of that market.

It was an extremely unusual situation that created new demand for Canadian beet sugar, which Canada was partially able to fulfill, but many, many countries supplied the U.S. at that time. That was extremely unusual. We don't have that today. We have a 10,000-tonne quota into the U.S. The 24,000 acres reflects that market reality.

We have the Canadian market, which is not growing other than through population growth, and food processing has declined largely as a result of the exchange rate. We need other markets to grow that acreage. CETA, over the long term, should help us do that.

• (1600)

Mr. LaVar Payne: It would be beneficial, obviously.

Ms. Sandra Marsden: Yes.

Mr. LaVar Payne: I know that the U.S. is talking about having an agreement with the European Union. I don't know if sugar is on the table or not. I don't know if you have any information on that.

Ms. Sandra Marsden: I do know, from speaking to people in the industry in the U.S. and Europe, that they don't want it on the table, but their governments do. They're going to have to sort that out. They are both protected markets, so they would both be defensive in that agreement in terms of the industries. We'll have to wait and see.

Mr. LaVar Payne: You did say that any sugar refined from cane in Canada is not allowed into Europe as part of this agreement. Is that correct?

Ms. Sandra Marsden: That's correct.

Mr. LaVar Payne: Okay. That's really nice to know.

I don't know how much time I have left.

The Chair: You have 30 seconds, so it would be a really short question.

Mr. LaVar Payne: I'll just say that hopefully this is going to turn out to be really good for the sugar beet farmers, because I'm in their corner, so to speak.

I want to thank you very much for coming.

The Chair: Thank you, Mr. Payne, well done.

Now we'll go to Mr. Eyking.

You have five minutes, please.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair.

Thank you to our guests for coming today.

My first question is about the ethanol and biotechnology part. At first, I was kind of thinking of exporting, and then we're importing, so I couldn't get that equation figured out. But in your answer, you were saying that we export a lot to the United States, and when we're short on it in the summertime, that's why we have to import it. That being said, there are little blips when we have to import it.

You talked about how you don't know how the investments that are going to be made in the industry are going to be able to increase the capacity that you could potentially have with Europe, right? So at the end of the day, are you quite satisfied with Canada's biotechnology strategy?

Mr. W. Scott Thurlow: As I said in my remarks, we don't have a biotechnology strategy per se. We have a renewable fuel strategy, of which we are strong supporters. We have been asking for some kind of a thought leadership piece from the federal government in this regard. We'd like to see it happen sooner rather than later, mostly because the Europeans have one and have heavily invested in it, and the Americans have a white paper that came from President Obama. This is something we should be developing here in Canada as well.

Hon. Mark Eyking: Thank you.

My next question goes to the sugar people. Our committee has just returned from the United States, and we were right in the middle of their big farm bill. You guys are well aware of that. You've already talked about some tariffs on sugar going to the United States, but there's also a big subsidy, I take it, because they're talking about billions of dollars, so I have a couple of simple questions.

First, is the sugar in the United States mostly from sugar cane? Is that where they get their sugar?

Ms. Sandra Marsden: Yes, mostly. Actually, sugar beet would dominate, but they have both.

Hon. Mark Eyking: So the sugar beet dominates?

Ms. Sandra Marsden: Yes. Their whole price support program has principally fostered the growth of the sugar beet industry in the U.S.

Hon. Mark Eyking: I'm assuming that if our industry is not subsidized, and they have the subsidy plus tariffs, how can you compete here...? I would think that the farms have the same technology and equipment. With our dollar the same, how can we compete with those guys down in the States?

Ms. Sandra Marsden: How can we compete here in Canada or in their market?

Hon. Mark Eyking: How can we compete with the Americans?

Ms. Sandra Marsden: We actually have anti-dumping duties against U.S. sugar, which give temporary relief from unfair exports into Canada. Prior to 1995, surplus sugar imports were coming into Canada from the U.S. priced unfairly in a very big way. We have gone to the International Trade Tribunal to address that, so in Canada that has helped us.

Hon. Mark Eyking: So that keeps your sugar from coming in?

Ms. Sandra Marsden: That's the unfairly priced sugar. Some still does come in, but we don't need to get into the complexities of that.

Hon. Mark Eyking: Your exports would be in finished products probably.

Ms. Sandra Marsden: Most of the exports from Canada would be in confectionery, bakery, and so on. There are quotas for some of our sugar-containing products. We're very competitive, because our price is based on the world price and because we have had to compete with these giants for so many years. So if borders were open—our border is open—around the world, we think our industry would do very well on both the beet side and the cane side.

Hon. Mark Eyking: That's the American situation and how they're rolling, but let's look at Europe. I'm assuming they use sugar beets, too. Would Europe be buying much sugar cane or brown sugar or whatever out of the Caribbean, or do they get their sugar from the sugar beets within the European Union?

Ms. Sandra Marsden: They have a very high price support, which reflects that tariff, so it's well over \$1,000 a tonne.

Hon. Mark Eyking: That subsidy is going to, of course, stay there?

• (1605)

Ms. Sandra Marsden: It's going to stay there. The tariff wall is going to stay there. They also bring in raw sugar for refining and export. We also have anti-dumping duties and countervailing duties against the European Union for the same reason, because they are a threat to our market.

They are removing their domestic quotas in 2017, so there's going to be a bit of a bloodbath, in our view, because they will no longer be restricted as to how much they can sell in their domestic market, and they will no longer be restricted, in their view, as to how much they can export. Right now they have a WTO limit, but the view of the European Commission is that they can exceed that.

Hon. Mark Eyking: So with their wall coming down and ours coming down, you're going to see kind of a battle?

Ms. Sandra Marsden: Well, their wall isn't really coming down. Canada's beet sugar can't compete with 16 million tonnes. It will have some access, but we need to maintain those protective duties for that unfair trade, but that's a separate matter for the Canadian tribunal.

Hon. Mark Eyking: What are you looking at in percentages in 10 years' time, with regard to your increase in sugar production in Canada with the European Union agreement?

Ms. Sandra Marsden: For the sugar-containing products, we've estimated \$100 million in additional access. We haven't estimated the value for beet sugar, because that's really a commercial measure that's benefiting just one company in Canada. That will be for them to evaluate.

The Chair: Thank you very much, Mr. Eyking.

Now we'll move to Mr. Harris, please, for five minutes.

Mr. Richard Harris (Cariboo—Prince George, CPC): Thank you, Mr. Chair.

As I understand it, the tariff wall on sugar from beets is 100% currently, and that's coming right down?

Ms. Sandra Marsden: For Canadian beet sugar it is.

Mr. Richard Harris: So you're going to be able to expand the acreage of the growth of sugar beets. Is there a quota then on how much you're going to be able to export into Europe?

Ms. Sandra Marsden: There will be no quota on the beet sugar. There will just be the quota on the sugar-containing products.

Mr. Richard Harris: Right, okay.

You're going to be in competition with sugar from homegrown sugar beets in Europe?

Ms. Sandra Marsden: That's right.

Mr. Richard Harris: Are those farmers subsidized to grow that, or upon the signing of the agreement will that subsidy come off?

Ms. Sandra Marsden: They are heavily subsidized, and we believe we will be very competitive in that market for that reason, because our industry is not, so we've had to compete without subsidies.

The thing that will change in 2017 is that those domestic quotas will come off, but they will retain their tariff protection so the view of the global sugar industry that is not subsidized is that doing that still creates a subsidy.

Mr. Richard Harris: I just need to get some numbers then, and I might have missed them earlier. If we increase the acreage of sugar beets from about 24,000 acres now, as I understood it, what do you expect that could possibly increase to?

Mr. Mike Walton: We wouldn't have an estimate on that today, because it would depend on the economic model. It's hard to forecast, seven years out, what the selling prices will be in any market, let alone a market that's also going through its own sort of reform.

If everything were fast-forwarded to today, though, we would be very quickly ramping up the plant in Taber to be able to maximize what the plant could put through it. The one minor hitch today is that the Alberta sugar growers use genetically modified beets. They're not acceptable in the European market as it stands today.

Mr. Richard Harris: Right. Okay.

Who are the main suppliers of sugar cane to the Canadian refiners now?

Ms. Sandra Marsden: Brazil by far is the largest. Other Central American countries, such as Guatemala, are main suppliers as well.

Mr. Richard Harris: And the sugar itself can never be exported to Europe because of the country of origin of the cane?

Ms. Sandra Marsden: Yes—unless you paid the 419 euros, which wouldn't be economic.

Mr. Richard Harris: But you're going to be able to mix it into the processed products.

Ms. Sandra Marsden: A limited volume of products, yes; that's where the production of those products is located.

Mr. Richard Harris: Will all the tariffs will be taken off that product?

Ms. Sandra Marsden: That's right.

Mr. Richard Harris: This is all new to me. I'm learning on the fly here.

As I understand it, that's where you expect the biggest growth in exports to Europe, as a result of this agreement?

• (1610)

Ms. Sandra Marsden: In the near term, yes.

Mr. Richard Harris: All right.

I have a question about biofuels. I'm kind of new at this one too.

Are we talking about a finished fuel that goes right from the refinery, or from the manufacturer of the fuel, right into the tanks, or is it an additive that you use for fossil fuels to sort of...?

Mr. W. Scott Thurlow: It can be both, but it's mostly a blended additive. It is a fuel that is a fuel. Ethanol, for example, is a fuel that can run at the very high level of E85. A lot of vehicles in Canada can run on that level.

It's also an octane enhancer. It would accomplish the same goal as an aromatic or a benzene or what we used to use lead for. Ethanol is a very inexpensive and a very clean octane enhancer.

Mr. Richard Harris: Is it primarily used in diesel applications?

Mr. W. Scott Thurlow: That's the question. Right now far more goes into gasoline. We would like to see advanced blends in the diesel market. We would like to see Canada get up to a 5% blend by 2020.

Mr. Richard Harris: Okay.

Thank you.

The Chair: Thank you, Mr. Harris.

Now we'll move to Madame Raynault for five minutes, please.

[Translation]

Ms. Francine Raynault (Joliette, NDP): Thank you, Mr. Chair.

My question is for all witnesses.

As you know, Canada and the European Union have signed an agreement-in-principle on October 18. What aspects of this agreement do you consider the greatest sources of concern for your respective industries?

This question is for the Canadian Renewable Fuels Association and for the Canadian Sugar Institute.

[English]

Mr. W. Scott Thurlow: I don't have any concerns with the agreement. I have concerns with European policy. I think the agreement is the best way to resolve the disputes that I would have with European policy.

Coming around full circle, they have policy differences that we can borrow from. They have policy differences that we should absolutely ignore and fight. But in terms of the actual agreement itself, I have absolutely no concerns. I think it's a very good agreement, from what I've seen of it.

Ms. Sandra Marsden: We are very pleased with the outcome of the agreement. It's a highly technical agreement, but it's giving us some hope for the future. It's the first trade agreement that is actually creating some new market access opportunity.

The only risk is delay. It has to be ratified amongst all EU member states. Anything that slows it down is disappointing.

[Translation]

Ms. Francine Raynault: The shortest time is about two years.

Furthermore, what is your assessment of the economic losses that could potentially result for your industries from the concessions we have granted?

[English]

Ms. Sandra Marsden: Certainly there aren't on the sugar side. As I think I mentioned, we already live in a global market that's highly

distorted. This will not change those distortions, but CETA is tipping the scale more in our favour. It's helping move that balance, which has always been challenging for us.

Mr. W. Scott Thurlow: Our orbit is North America from a fuels perspective. It would be incredibly uneconomic for European biofuels to come into Canada. There is more potential for our growth in terms of renewable chemicals and sustainable products to go into the European market.

In terms of the actual potential for loss, as I believe was said, it's tough to figure out what the prices of commodities are seven years out. If we could, we'd all be doing very well.

All of my products are price-set in Chicago. We trade on that and we spot-trade. We very rarely get out that far. If there is a commodity advantage, it's up to the free market to sort that out. With opening markets and opening regulation, the best products will win.

[Translation]

Ms. Francine Raynault: Mr. Thurlow, even though we aim to reduce emissions of CO₂, we still depend a lot on fossil fuels. How does Canada compare with other countries with respect to the use of energy sources that offer an alternative to fossil fuels?

●(1615)

[English]

Mr. W. Scott Thurlow: We're fairly new at the game in terms of the expanded use of renewables. Brazil got the ball rolling in the early 1970s. They're the ones who are absolutely the leaders in this regard in that they have very high ethanol blends. They can blend as much as E85 for a very high percentage of their vehicles.

The Americans obviously also have a higher blend level than we do. There are some challenges with the U.S. policy system. Canada's system, introduced by this government, is a 5% blend for ethanol and a 2% blend for renewable diesel. We would like to see the number for renewal diesel go up to 5%. We need to build out infrastructure to help meet the corporate average fuel economy standards that American and Canadian auto manufacturers will have to meet by 2017.

The Europeans are now talking about E25 as the sweet spot for personal vehicles. We would like to see fuels in the E20 to E30 range. That will make sure that consumers who are purchasing technology in 2017 to 2025 are able to get the fuels they need to deliver the maximum fuel economy to support the technology in those cars.

The Chair: We'll go to Mr. Zimmer, please, for five minutes.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you all for coming to committee today. It's a pleasure to have you here.

Sandra, I have a question specifically on the non-GMO beet and whether there are any issues with capacity in that new beet that's going to have to be produced. Do you see any issues with capacity in terms of your growers meeting that demand and meeting the volumes at a price point that's competitive?

Ms. Sandra Marsden: I think I'll pass that question on to Mr. Walton.

Mr. Mike Walton: That's yet to be determined. The growers are all currently growing GMO beets. I believe this year every grower in North America is growing GMO beets. So unless there's a real market to go after, they would not revert to non-GMO beets at this stage. It wouldn't be economic for them.

Mr. Bob Zimmer: Okay.

There obviously are non-GMO beets. What's the volume difference between GMO beets in terms of sugar production and non-GMO beets?

Mr. Mike Walton: You're talking about yield?

Mr. Bob Zimmer: Yes.

Mr. Mike Walton: There is a slightly better yield. It's new to us and it's new to the industry; GMO beet technology is not very old. We've seen improved yields. We're able to get close to the market of what we need in sugar with fewer acres, which gives better returns to the growers.

It hasn't been tested in terms of being able to give you a percentage today. We don't have a long enough track record to give you anything definitive on that.

Mr. Bob Zimmer: Would it be a 10% higher yield, or would it be 20%, or...?

Mr. Mike Walton: I don't have any numbers, but it wouldn't be in that magnitude.

Mr. Bob Zimmer: Okay.

Do you have anything else, Sandra?

Ms. Sandra Marsden: In terms of the GMO issues, it's difficult to project out seven years, but I think a couple of things can change. Certainly the EU environment could change. They have approved the trait that is used in Canada. It's not that it can't be sold there, it's just this lack of consumer acceptance. So that may change.

As well, certainly the domestic industry will, I imagine, evaluate the potential to grow non-GMO beets to see if it's economic.

Mr. Bob Zimmer: I guess it depends on where you are and whether the Europeans have changed first. If they haven't yet, then you can also respond by producing a non-GMO product.

Mr. Mike Walton: It's complicated, because the rotation crops have to be GMO as well. It's not just the sugar beet in the cycle. They rotate the crops and it all has to be in unison. It's complicated. It's not just sugar cycle.

Mr. Bob Zimmer: Sure.

I have a question for Scott now. Some of us had the privilege of being at the first biofuel-powered flight announcement here in Ottawa, which was quite amazing really. It didn't have any blend. It

was 100%—they were talking about it anyway—and it was a mustard seed-based fuel.

Where do you see that going in terms of 100% fuel? I guess we have to produce a demand, and then the demand will be met by the industry, but can it be produced at the volumes...? You already said you lack adequate infrastructure to meet even the demand that's coming in 2017. Where are you with the capacity in terms of the demands put on you now, let alone a 100% biofuel product?

• (1620)

Mr. W. Scott Thurlow: If you guys wanted to legislate it being 100% biofuels, I'd support it right here on the spot.

In all seriousness, this is actually one of those areas in which the Europeans are really strong thought leaders. They have an aviation biojet requirement that applies to all flights, so actually Canadian planes have to have a biojet component as they're flying into Europe. There are some serious cost differentials in this regard. The best way to drop those cost differentials to create that demand is to mandate inclusion. As we saw with the 2% biodiesel or 5% ethanol, those mandates are what's going to drive the development. I'm not calling for a biojet mandate yet. We're still working on the technology. We'd like to see capital reinvested into the NRC and into the private sector so that this innovation can happen and it can happen here in Canada.

But to be clear, the European rules as they relate to jet fuel are driving innovation and investment in Europe.

Mr. Bob Zimmer: I guess the concern I would have is that we create an issue and then we couldn't meet it. Obviously because of the capacity, especially if you start involving planes and the automotive industry, you'd need to be able to produce a massive amount of fuel. To me that would tax the food chain and all the rest of it.

We're not there yet, but I can see that coming. I think most Canadians would support what we've already done. I guess, how far out this....

Mr. W. Scott Thurlow: There are several steps integrated at the same time, so all of us need to walk in unison in order to build out the demand.

The Chair: Thank you very much, Mr. Zimmer.

I'll go to Mr. Giguère, please, for five minutes.

Mr. Alain Giguère (Marc-Aurèle-Fortin, NDP): Thank you very much.

I appreciate the witnesses. I'm very enthusiastic about your declaration. What kind of job creation will this trade agreement create for your industry?

I would expect not only a little growth but an explosion of jobs in your industry. I cherish the possibility of using sugar from Canada rather than from Brazil, and I wonder about the possibility of creating ethanol as part of the paper industry. Within your case you are requesting a policy from this government to support your development?

Ms. Sandra Marsden: I'm not sure I understood that.

Mr. W. Scott Thurlow: I'm happy to answer the question.

First and foremost, just as we can't predict commodity prices seven years from now, it's tough for me to give a bull's eye for what the number of jobs will be, but opening up the economy and opening up the market will create a lot more confidence in terms of what we need to see to encourage investment like that.

As it relates specifically to the forestry sector and producing a cellulosic-based ethanol in the forestry sector, my first and most important request would be that we need a national bioeconomy strategy. We need to get all the departments rowing in the same direction, and we need to have that strategy out there as a beacon to attract innovators to Canada. We've done this very successfully in other areas like the renewable fuel sector. Our industry is now moving beyond renewable fuels and into sustainable products and chemicals as well.

In this regard the policy "asks" are to ensure that we have a regulatory environment that fosters investment and to ensure that we have one principal area in which we can pull all of the thought leadership together. After we have that, would we like to see additional innovation capital put specifically in this sector to drive commercialization of these products? Absolutely.

Mr. Alain Giguère: You are presently making a recommendation for this national policy?

Mr. W. Scott Thurlow: We've made this recommendation. This recommendation has been supported by several other trade associations, and I will continue to push for it.

Mr. Alain Giguère: For the development of the sugar industry, you have the possibility not to use sugar from Brazil but is it the same situation for the sugar from Alberta?

•(1625)

Ms. Sandra Marsden: We see CETA as really benefiting both parts of our industry. In terms of jobs, initially we see protecting the jobs we have. As I mentioned, in the trade balance with the United States, we've lost business because of the Canada-U.S. exchange rates. Some companies, like Hershey, are leaving Canada. Most recently, we heard Heinz is leaving. That takes away a lot of sugar production. We want to keep the investment here and we want to bring more.

So over time we hope that by diversifying markets—and CETA is a good example—we will actually bring some investment back to Canada. That can be in eastern Canada. That can be in Alberta. In fact, I was just in Alberta yesterday, meeting with the government and talking about coming back to talk to their investment people to build on that strategy to bring more investment in food processing.

Mr. Alain Giguère: Very rapidly, I have a question about capital for the investment. Is it a real problem for your industry, or are you requesting support from the government?

Mr. W. Scott Thurlow: I think it's difficult to get capital in a lot of industries. I don't think it's unique to ours. I think investment capital has shrunk considerably since the recession. There are programs that exist right now that we try to take as much advantage of as we can, in terms of creating the capital we need to get commercial build-out.

Our industry specifically is very capital intensive and very low margin. Once we get the capital in place and we can start making volumes, that's when we're going to have money. It's the valley of death of commercialization that is the big struggle for our next generation members.

The Chair: Thank you very much.

Now we will go to Mr. Albrecht.

You have five minutes, please.

Mr. Harold Albrecht (Kitchener—Conestoga, CPC): Thank you, Mr. Chair.

My colleague pointed out that I probably owe much of my success in life to the sugar industry, as a former dentist. I'm not sure if he's implying that I should declare a conflict of interest or not, Mr. Chair. Being no longer in that field, I'll take a shot at it.

I do want to point out that recently I had the privilege of having some conversations with European ambassadors. You mentioned, Ms. Marsden, that this agreement in principle will need the ratification of the European member states. Every European ambassador I've spoken to at this point is very bullish about this agreement. I think they see it as a very definite win-win. On that basis, while we are concerned about the length of time it may take, I think we're fairly confident that it will come into force.

I want to have you clarify for me an answer that you gave to Mr. Harris. I thought in your presentation you said we only have access to 30,000 tonnes of sugar to Europe, growing to 52,000.

Ms. Sandra Marsden: That was the sugar-containing products, like the iced tea and the drink mixes.

Mr. Harold Albrecht: Other than that, we have totally free access.

There's no limit on how much we—

Ms. Sandra Marsden: For beet sugar. That's right.

Mr. Harold Albrecht: For sugar beet, but not for the products.

I'm glad I clarified that.

Ms. Sandra Marsden: In time, yes.

Mr. Harold Albrecht: You also mentioned 90% of the processed foods we export to the U.S. Does that mean that 90% of our exports are going to the U.S. or 90% of everything we produce is going to the U.S. ?

Ms. Sandra Marsden: No, no, 90% of the exports—

Mr. Harold Albrecht: Okay.

Ms. Sandra Marsden: —are to the U.S. rather than other markets.

Mr. Harold Albrecht: I didn't think we exported quite that much.

So in terms of getting the processed things to the European market with the high current tariffs of 100% that are there, it's quite clear that the added cost of getting them there will not be a barrier for developing markets in Europe.

Ms. Sandra Marsden: Do you mean the transportation costs?

Mr. Harold Albrecht: The transportation costs.

Ms. Sandra Marsden: With removal of the tariffs, no.

Mr. Harold Albrecht: There's virtually no impact there at all.

I want to move to Mr. Thurlow for a minute. During your presentation and a number of times since then, you've referred to this GMO issue and the legislative policy-making issues in Europe. I'd like you to expand a bit more on that and maybe break it down a little more for me so I can understand it better. Then along with that, both of you could respond to the question of the non-tariff barriers. We've already significantly addressed the GMO issue. Are there other non-tariff barriers that could create issues for either of your industries?

First on the GMO and the legislative issue, Mr. Thurlow and then

Mr. W. Scott Thurlow: To me, the GMO issue is really simple. We need GMOs to allow for the very high crop yields that we have. Our crop yields in Canada have gone straight up like an arrow into the air for the last 10 to 15 years, and we're now producing a very high percentage of corn compared to what we used to create. If there is any type of a barrier to that product getting into Europe, whether it's canola or soy or corn, that's a serious problem for us, because the entire North American industry has been improved and built on because of these efficiencies that were created.

Another non-tariff barrier, I think, is the indirect land use change issue that I raised in my testimony—

• (1630)

Mr. Harold Albrecht: Can you expand on that? That's the part I'm having difficulty with.

Mr. W. Scott Thurlow: They are proposing, under the auspices of a “food versus fuel” argument, that biofuels change the way farmers

use their land to create biofuels. It is absolute hubris. There is no evidence that it has ever happened. As I said in my presentation, we use less land now to make more food and fuel. The only land use change that's actually happening is that we're shrinking land. It is a very popular issue with NGOs in Europe, and there is no evidence of that change happening here in North America.

Mr. Harold Albrecht: But it's already implemented in Europe?

Mr. W. Scott Thurlow: No, they're still debating it. My colleague in Europe spends a lot of time lobbying on this, let me tell you.

Mr. Harold Albrecht: Do you have a forecast as to when it possibly could...is it imminent or is it something way out?

Mr. W. Scott Thurlow: It's scheduled to be voted on by the end of the next European Parliament cycle. It's contentious.

Mr. Harold Albrecht: Are there other non-tariff barriers that the sugar industry is facing?

Ms. Sandra Marsden: We don't expect to see any.

The big issue for us will be managing the sharing of the exports from Canada, because, in terms of the sugar-containing products, it's a relatively small volume in relation to the U.S. sugar market, which is 26 million tonnes. It just has to be managed from an export control point of view here in Canada. That's what we're used to with respect to the U.S. quota. It's really an administrative management issue not a European import restriction.

The Chair: Thank you very much, Mr. Albrecht.

I want to thank the witnesses for taking an hour. They were great presentations and good questions.

Mr. Thurlow, Ms. Marsden, and Mr. Walton, thank you for being a part of the CETA talks and the preparation for our report.

The intent is that we will wrap up next week with our witnesses, and then over the break we will get a report that will come back in January. Thank you again very much for being a part of today.

We will resume proceedings in camera in couple of minutes.

[Proceedings continue in camera]

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