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# Standing Committee on Agriculture and Agri-Food

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Chair: Mr. Kody Blois





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• (1540)

[English]

**The Chair (Mr. Kody Blois (Kings—Hants, Lib.)):** I call this meeting to order.

Welcome to meeting number 112 of the House of Commons Standing Committee on Agriculture and Agri-Food.

This is not your first rodeo, colleagues, so I will not repeat the reminders. However, there a couple of things I want to highlight.

You'll notice that this is a different sound system. These microphones are different from the ones we're used to. I've been told that you need to speak directly into the mic—not over here and not on this side, but right into the mic to the extent that you can. Of course, I'll remind you to keep your distance from our translation pieces for the benefit and the health of our translators.

That's what I would say in relation to measures that you need to be aware of.

Pursuant to Standing Order 108(2) and the motions adopted by the committee on Thursday, February 8, 2024, and Tuesday, September 24, 2024, the committee is resuming its study of the impact of carbon border adjustments and reciprocity of standards on Canadian agriculture.

We have two full panels today. I'm really excited to get at this.

First, from the agri-food analytics lab at the beautiful Dalhousie University in Nova Scotia—it looks like he might be joining us from Nova Scotia—we have Dr. Sylvain Charlebois, who is the senior director of agri-food analytics lab and a professor.

From the Canada Organic Trade Association, we have Tia Loftsgard, who is joining us here in person. Thanks for being back, Ms. Loftsgard, before the committee, and thank you for your work on behalf of the organic sector.

From the International Institute for Sustainable Development, we have Aaron Cosby, who is a senior associate, joining us by video conference. It's great to see you. Thank you for your time today before the committee.

Colleagues, you know the drill. We're going to have five minutes for opening remarks from each witness, and then we'll turn it over for questions.

I'm going to start with Mr. Charlebois for up to five minutes, please.

**Dr. Sylvain Charlebois (Senior Director, Agri-Food Analytics Lab and Professor, Dalhousie University, Agri-Food Analytics Lab):** Thank you, Mr. Chair and members of the committee, for inviting me again to speak today.

Unfortunately, I couldn't make it to Ottawa. I'm actually in Calgary, Alberta, where the weather is nicer than in my hometown of Halifax, by the way, so I'm enjoying the weather here in beautiful Calgary, Alberta.

This issue is quite important. Border reciprocity when it comes to trade is critical, especially when our nation is trying to make our world greener through different policies like the carbon tax. It's important to understand exactly how this policy is impacting our agri-food sector's competitiveness.

I've said this before at this committee—twice already, I think. Instead of looking at retail prices or the retail landscape, it's critical to look at the supply chain and wholesale prices. If you look at figure 1 in the document I sent to the committee along with my opening remarks, you will see a huge difference in the wholesale prices you find here in Canada versus those in the U.S.

Since 2019, when the carbon tax was implemented, food wholesale prices in Canada have actually increased by 37% more than in the U.S., which is significant. In other words, our wholesale prices are now less competitive than prices you find in the U.S., and that's due to several policies. Of course, it's hard to isolate the impact of the carbon tax as a coefficient, but we can still speculate that the carbon tax did not help our cause.

Since April 2019, Canada's RSPI, or retail services prices index, has increased by approximately 32.47%, while wholesale prices in Canada have increased by 42.26%. If you look at figure 2, you'll see that there's basically no gap between wholesale and retail anymore. Wholesale food prices are putting way more pressure on retail, making our food essentially more expensive. Now, again, you could speculate that wholesale prices are being pushed up by policies like the carbon tax.

In the United States, the pressure from wholesale producer prices, which they call the PPI, is passed on more directly to consumers, with a more immediate reflection of rising costs at the retail level. This suggests that in the U.S., contrary to in Canada, retailers may have more of a buffer or are more inclined to adjust consumer prices in response to producer price increases.

If you look at figure 3 in the document I sent, you'll see there's a huge difference between the U.S. and Canada. When you think about border reciprocity, you have to look at both landscapes and how they're behaving very differently right now. In other words, just looking at the data right now, Canada is put at a disadvantage over the United States.

• (1545)

**Ms. Leah Taylor Roy (Aurora—Oak Ridges—Richmond Hill, Lib.):** Mr. Chair, can we have a point of order when we have a witness?

**The Chair:** Not unless it's in relation to a technical issue.

**Ms. Leah Taylor Roy:** I was just wondering what study he was talking about.

**The Chair:** I've stopped the clock, Mr. Charlebois.

It isn't a point of order. What he's referencing, Ms. Taylor Roy, is a document that was sent and distributed to the committee, I believe.

**Ms. Leah Taylor Roy:** Right, but what does it have to do with...?

**The Chair:** Ms. Taylor Roy, I apologize. It was not distributed.

Mr. Charlebois, I think there was an issue with the linguistic translation. We're making sure that we're getting that dealt with. I don't know if all members have reference, exactly, to the tables that you're...but that's fine. We'll be able to move forward.

Go ahead, Mr. Charlebois, over to you.

**Dr. Sylvain Charlebois:** My apologies to members, I didn't know that you didn't have my notes in front of you.

Essentially, the core of my message is that wholesale prices in the U.S. are moving at a much slower pace than in Canada right now, putting more pressure on retail. Of course, you can speculate that the agri-food sector in Canada is less competitive than the U.S., so if you are to think about policies to make sure that there is border reciprocity between two nations.... I'm just looking at the U.S. right now because the U.S. is so close to us. Of course, you will need to implement tariffs, and that's highly desirable when you think about food security in Canada, because tariffs tend to have an impact on inflation domestically.

With lower and no federal carbon pricing in the U.S., American food producers are not burdened with the same environmental costs, creating an uneven playing field in the North American market. We often talk about benefits given to farmers and different stakeholders across the supply chain. Even if you provide financial support to different stakeholders in the supply chain, you still will see inflation and increasing costs because of the compounding impact throughout the supply chain, making, again, the agri-food sector less competitive overall.

The issue is not just about direct financial burdens but also about the systemic cost increases across energy, transportation and input supplies, which enhance inflationary pressures across the board. These increases, even when partially mitigated by government programs, still make the Canadian food industry less agile and competitive on the global stage. The carbon tax likely adds a significant cost burden to the Canadian food industry that is not faced by U.S.

producers, making Canadian products more expensive and less competitive, both domestically and internationally.

On that note, I will stop. Thank you, Mr. Chair.

• (1550)

**The Chair:** Thank you, Mr. Charlebois.

We'll now turn it over to Ms. Loftsgard for up to five minutes.

**Ms. Tia Loftsgard (Executive Director, Canada Organic Trade Association):** Good afternoon, Mr. Chair, and members of the standing committee.

Thank you again for inviting the Canada Organic Trade Association to present. We are also called COTA, so if I'm quoting our acronym, you'll know COTA. We also run the technical advisory committee on organic equivalency to ensure that organic standards align with our trading partners internationally.

It's an honour to share our perspective with you here today. Our mission, of course, is to promote and protect organic practices, while fostering a fair and competitive environment for organic trade.

Since 2009, organic has emerged as the most recognized and regulated agri-food sustainability claim in Canada. We've established very successful organic equivalency trade arrangements in over 35 countries, and we adhere, of course, to the joint FAO and WHO food standards program for codex and organically produced foods.

Over the past 15 years of being regulated by the federal government, these arrangements have eliminated the need for duplicate organic certifications, resulting in reduced costs for Canadian organic operators, strengthening our trade relations with our key trade partners and significantly increasing exports and imports of Canadian products.

While COTA does not have a formal position on border carbon adjustments, we recognize that various jurisdictions are exploring these measures to promote climate resilience. We, Canada, must monitor these actions in order to ensure a fair trading environment for our products and to avoid punitive actions that could undermine the competitiveness and financial stability of our farmers. It's important that any approach adopted consider the diversity of practices in Canadian agriculture.

The already-regulated nature of the organic sector presents a unique opportunity for Canada to negotiate zero tariffs on organic goods in the event that our trading partners implement BCAs. Given that organic is a “regulated claim” with established trade arrangements and that organic practices are defined by standards that reduce carbon emissions—such as using 50% less new reactive nitrogen through the prohibition of most synthetic inputs and promoting careful nutrient management to prevent fertilizer overuse—organic products should be exempt from any BCA tariffs in the global trade arena.

In the context of this study, the organic sector exemplifies how reciprocity arrangements can be structured around sustainable agriculture. Even with established reciprocal standards, there is a pressing need for supports to keep our sector competitive. Other regions, notably the EU and the U.S.A., are heavily investing in organic agriculture as part of their climate goals, adopting a “carrot approach” to encourage sustainable practices and outcomes.

In contrast, Canada lacks these explicit policy directives and comprehensive support and funding mechanisms for organic growth, putting us at risk of losing our competitive edge. Each of our trading partners has enacted an organic act, which emphasizes and incentivizes market opportunities, rural development benefits, and pathways for small-to-medium operators to thrive, while reaping the environmental benefits of organic production.

Canada's regulatory framework must evolve. We've had 15 years of being regulated by the federal government, but we still see an absence of an organic act and a cohesive strategy for the sector's growth, which hampers our ability to export, to convert farmers with suitable incentives and training, and to meet that growing demand for organic products, including those beyond the scope of the CFIA's enforcement, which are items like pet food, cosmetics, textiles and more.

To summarize, I have three main points.

We need to see more regulatory alignment and investment. Ongoing regulatory alignment and market investment in the organic sector are vital. The European Union is the first jurisdiction to amend their organic arrangement into a formal trade agreement, which is happening near the end of this year. As organic trade matures, other countries may follow in adopting formal trade agreements. Canada's organic monitoring systems need improvements to navigate the complexities of trade and maintain the trust of our trade partners.

Number two, we'd like to see the creation of an organic act for Canada. We need to prioritize the establishment of an act that has a broader strategy to promote the growth of the organic sector. This act would eliminate existing silos and provide necessary policy direction for the sector to reach its full potential and effectively respond to market demands. Remarkably, Canada is the only major country without a distinct organic act.

If our trading partners implement carbon border adjustment mechanisms, organic products should be exempt. This is my third point. We can leverage existing trade arrangements that demonstrate the reciprocity and equivalency of our organic standards and practices. With ongoing consultation with the organic sector and

other agricultural stakeholders, this is necessary for us to cultivate success.

● (1555)

There's strong consensus among the agricultural community that federal investments in economic incentives, knowledge transfer and data are urgently needed. Improved data measurement at the farm level, in addition to organic trade data, is needed to measure sustainability, outcomes and validity and to monitor our competitiveness, risks and successes within the organic sector. These investments are essential for supporting farmers, ranchers and fishers in adopting high-resilience, low-emissions practices and enabling manufacturers to prioritize organic suppliers over cheap imported organic products.

Thank you very much for your time.

**The Chair:** Thank you very much.

We'll now turn it over to Mr. Cosbey for up to five minutes, please.

**Mr. Aaron Cosbey (Senior Associate, International Institute for Sustainable Development):** I'd like to thank the standing committee for this opportunity to intervene on this important subject.

My name is Aaron Cosbey. I'm trained as an economist, and I'm a senior associate with the International Institute for Sustainable Development based in Winnipeg. I'm also a senior fellow at the European Roundtable on Climate Change and Sustainable Transition. In both of those capacities, I've done extensive analysis and policy advice around the EU's carbon border adjustment mechanism, or CBAM, and other proposed border carbon adjustment schemes.

The EU's CBAM, to put it in context, is part of the EU's broader suite of climate-related policies, the so-called “fit for 55” package. It's meant as an accompaniment to the strengthening of the EU's emissions trading system, its ETS. That's a cap-and-trade scheme that limits GHG emissions, or greenhouse gas emissions, within the union. Part of the strengthening involved is removing what's known as free allocation of allowances for the covered sectors. That is, while all sectors have to submit allowances for the GHGs that they emit under the scheme, in some sectors, many of those allowances are provided for free. These are heavily allocated to emissions-intensive, trade-exposed sectors like steel, aluminum, nitrogenous fertilizers and cement, and the point of that is to avoid what's known as carbon leakage.

Just to take a small side trip to talk about carbon leakage, this is what occurs when climate policies in a jurisdiction like the European Union cause greenhouse gas emissions to rise outside of the European Union. This can happen because the regulated installations in the EU lose market share to competitors in jurisdictions that don't have a carbon price. Canada has a similar mechanism built into its federal output-based pricing system. It only charges for emissions above a designated sectoral standard and not for all emissions. There's a similar mechanism built into all the provincial-level industrial pricing schemes. The point is to keep average costs low while maintaining a high marginal cost that still incentivizes decarbonization.

The EU has declared that it will, by 2034, remove all of these free allocations and impose a full carbon price on its producers and, ultimately, its consumers. As free allocation phases out between now and then, the CBAM is going to phase in. The CBAM is an obligation on importers to purchase allowances for each tonne of greenhouse gases embodied in the goods that they import at the same price as they would have had to pay had they been produced under the EU's ETS. These changes are going to start in 2026. We're currently in a transition period, but the charges will start in 2026 at very low levels as free allocation gradually reduces, and they'll ramp up to full value by 2034.

The EU CBAM covers five goods plus electricity, and those are iron and steel, cement, nitrogenous fertilizers, aluminum and hydrogen. These are the usual suspects of industrial decarbonization, and they're covered at the level of basic and slightly processed materials. We're talking not about an automobile but about basic iron and steel, rolled tubes and pipes.

The emissions that are covered are not just direct emissions from the exporters' operations, which are so-called scope 1 emissions, but also emissions embodied in purchased electricity, in the case of cement and fertilizers, and, importantly, emissions that are bound up in any of the CBAM-covered input goods; if you're a steel pipe producer, you're paying for the emissions in the steel that you purchased. This is important: Agricultural goods are not covered, and that means there's also no need to declare emissions, for example, embodied in agricultural goods from upstream inputs like nitrogenous fertilizers.

There is a commission review due in 2025 that's going to make recommendations about expanding the scope of the CBAM coverage, but it is almost inconceivable that it would recommend covering agricultural goods. Frankly, they're having a hard enough time implementing the regime even for the goods they currently have covered. More importantly, the CBAM is only going to be charging for goods that are also covered by the EU ETS; that is, the CBAM is a mirror of the EU ETS at the border, and the current ETS does not cover agricultural goods.

While the EU does have other policies that may significantly affect Canadian exports, and I think the members of the committee know that as well as anyone, such as the farm to fork regulations, and perhaps even the EU deforestation-free products regulations and other more long-standing policies, the CBAM does not appear to be an immediate threat to our export of agricultural goods.

There are many other CBAM-like initiatives in other jurisdictions. The U.K. has declared that it's going to impose a CBAM by 2027. Australia is wrapping up its review that may recommend a version there. The U.S. has had, at any given point in the last decade, four or five bills before Congress that proposed to put a carbon price on imports of some kind, even though the U.S. doesn't have a domestic price.

While it would be prudent for Canadian exporters to carefully monitor these developments, none of them at this point propose to cover agricultural goods. For me, having covered this for a while, I find it inconceivable that they ever would.

• (1600)

In conclusion, in my view, the EU CBAM is not a particularly threatening policy development from the perspective of Canadian agriculture and agri-foods.

I thank you for your attention and look forward to questions.

**The Chair:** Thank you very much, Mr. Cosbey.

We'll now turn it over to questions.

We'll begin with Mr. Barlow, for six minutes.

**Mr. John Barlow (Foothills, CPC):** Thank you very much, Mr. Chair.

Thanks to our witnesses for being with us today. I appreciate the testimony of our experts here.

It's clear that when we had our department leads here last week, they were also unsure of how this would work. There were many questions on whether this was something that was actually achievable, having a CBAM on agricultural products. As a matter of fact, Global Affairs has even refused to appear at this committee to talk about this issue. I think that is a pretty sad testament that our own departments are unprepared to deal with this issue. The government is bringing this forward as a study at this committee when even its own department heads don't seem to be prepared, and one does not want to even appear.

To Mr. Charlebois, when we did ask finance about the possible implications of imposing a carbon border adjustment in Canada or looking at doing so....We already know the costs of the carbon tax on Canadian consumers. Even to administer, just on the government side, it is \$83 million annually. We asked the finance department, "What would be the impact of a carbon border adjustment? How would it be financed and administered? What would be the impact on the agriculture industry?" Her answer was that it would be intense.

Knowing the work you've done on the impact the carbon tax is having on food prices—and I know this might be difficult to answer—in your assessment and expert opinion, what would be the possible consequences of implementing a carbon border adjustment on Canadian agriculture?

**Dr. Sylvain Charlebois:** I would be extremely concerned, given the past record of the government in not measuring anything really related to the agri-food sector, so we would go in very blindly to something yet again quite new. That, to me, would be quite concerning.

I did talk about this. The competitiveness of our industry is being jeopardized by not focusing on competitiveness and by not measuring the impacts of certain policies that we implement.

Also for Canadians, tariffs will have an impact on competitiveness inside our own borders on retail. The Americans are having the same conversation right now with their presidential election, because both parties are talking about tariffs. It will be the same in Canada.

**Mr. John Barlow:** Thank you for that.

We have had some questions from our colleagues in the government questioning the validity of your statistics. I saw on your social media the other day that the carbon price is increasing the price of wholesale food in Canada in every category by more than 30%, and food inflation in Canada is about 37% higher than the United States.

I want to confirm with you that those numbers are correct. As a professor at Dalhousie University and a pre-eminent food expert in Canada, are those numbers that you have stated correct? Is the impact of the carbon tax on Canadians quite significant in a negative way?

• (1605)

**Dr. Sylvain Charlebois:** Absolutely. The numbers are correct, but the interpretation of those numbers would need to be corrected.

The U.S. numbers are coming from the Federal Reserve Bank of St. Louis, and the data in Canada comes from Statistics Canada. It would be a little premature to say that the carbon tax is solely responsible for the difference between the two nations.

What we're speculating is that perhaps the carbon tax could be a factor, but we don't know for sure to what extent. That would need to be clarified.

**Mr. John Barlow:** Thank you very much for that.

I saw a news report this morning, when I was walking to my office, which I found to be quite surprising to be honest. Canadian doctors are warning their colleagues about the potential of having scurvy once again in Canada. That is not something I ever anticipated I'd have to deal with. They were saying this is as a result of a vitamin C deficiency, and Canadians not eating enough healthy food. Again, they attributed that to the high cost of groceries.

I think we have to look at every aspect that's potentially driving up the cost of food for Canadians. We're seeing two million Canadians going to food banks. I know this isn't necessarily about a carbon border adjustment, but any additional impediments we put on our agriculture industry, processors and manufacturers are going to have an impact.

Are you surprised to see a headline like that, or is this not surprising to you, who has followed this closely?

**Dr. Sylvain Charlebois:** I actually read the report. I'm very concerned, but unfortunately I'm not surprised either.

We're releasing a report on Thursday about food expenditures in Canada. Retail-wise, food expenditures have remained flat despite higher food prices. This only means that people are avoiding the periphery of the store where fresh products are. It's where good vitamins and minerals are, including vitamin C. People will go to the centre of the store to escape from inflationary pressures. That's exactly what's happening right now. A lot of families are facing that reality.

The last thing you need to do is put more pressure on the border to make food even more expensive in Canada.

**The Chair:** Thank you, Mr. Barlow.

Thank you, Mr. Charlebois.

[*Translation*]

Ms. Taylor Roy, you have the floor for six minutes.

[*English*]

**Ms. Leah Taylor Roy:** Thank you very much, Mr. Chair.

Thank you to the witnesses for being here and for being here in person.

I'd like to start by making sure that our witnesses understand that this study was initiated to look at what competitive position the Canadian agriculture sector would be in if the EU or the United States continues to go in the direction of carbon border adjustment mechanisms and expand that to agriculture.

We've heard that you don't think that's very likely. I appreciate that.

I just also wanted to go back to some of the original things that were mentioned in terms of vitamin C and scurvy. It sounds like a nuclear winter kind of scenario again.

When we had another study, I remember somebody came in and said that the increase in the price of, for example, orange juice and oranges or produce was largely due to climate events. It was the drought in California or in Florida, for example, or the diseased romaine lettuce that had caused great spikes.

I do recall, Mr. Charlebois, that you talked very much about the fact that price volatility is the problem. That seems to be more a factor of droughts and other climate events than it is of a regularly scheduled increase in a price on pollution. I'm very glad to hear you say that you only speculated, that there's no proof and that there are a lot of other factors contributing to this.

I would like to ask this in terms of the point of this study, which is the possibility of the CBAM. We're not looking at introducing one. We are trying to assess what our competitive position would be if other countries put this in place.

Given that and what we know about our Canadian agricultural sector, and in particular the organics, do you think that Canada would benefit competitively when we compare Canadian agriculture practices to those around the world if the EU or the United States were to put in a carbon border adjustment mechanism on agriculture?

Perhaps we could start with the International Institute for Sustainable Development.

• (1610)

**Mr. Aaron Cosbey:** That's an excellent question.

In that hypothetical situation, the impact would depend on the relative GHG intensity of Canadian and U.S. or Canadian and EU production. If Canada, for example, was a lower GHG-intensity producer of wheat than U.S. producers, we would actually benefit from a border carbon adjustment imposed by the U.S., which would presumably put a price on carbon on U.S. production and impose one on Canadian production.

Now, the devil is all in the detail. It's unlikely that a U.S. proposal would put a price on U.S. production. If we're talking about a hypothetical charge on all imports entering the U.S., including agricultural goods, obviously we would suffer from that.

If we're talking about a CBAM-like mechanism, which is a more fair mechanism and which imposes a domestic price, and let's say they impose the price on their agriculture and mirror that price at the border—that's what a real border carbon adjustment is supposed to do—then again, it would depend on the relative GHG intensity of Canadian and EU production.

I'm not an expert in that area, but I know that EU agriculture is not particularly low-cost agriculture. I know also that the CBAM credits for carbon price paid in the country of export. Canadian agriculture.... In all of the other sectors I've examined that are covered by CBAM, Canada does well. Agriculture may be the same.

You have to do a quantitative analysis to answer authoritatively, though.

**Ms. Leah Taylor Roy:** Thank you very much.

We've heard and seen from Canadian agriculture producers whom we've had as witnesses here that the Canadian agriculture sector is indeed one of the most environmentally friendly in many ways. There are a lot of practices that could be extended across the board.

Ms. Loftsgard, or Tia, if I could call you that, you were talking about organics. I'm assuming, given what you've discussed and the way that organics are already regulated and produced, that the organic sector would do very well compared to the carbon intensity of organics produced in other areas like the United States, for example.

**Ms. Tia Loftsgard:** When it comes to organic products, unfortunately, they're a bit different from other forms of agriculture because they already have the built-in standards that are really focused on low-carbon emissions, nitrogen and avoidance of synthetic pesticides, which, of course, are things contributing to some of the carbon issues. What we see happening in other jurisdictions are very progressive policies, where they're trying to incentivize organ-

ic as one of the solutions. Instead of putting the stick, they're putting the carrot.

From our perspective, we imagine our trading partners would agree that, if they were to do a border carbon adjustment, organic should not be a part of that element. Let's hope for that, anyhow.

**Ms. Leah Taylor Roy:** Thank you very much. I just want to say thank you for being part of the organics movement. I know that, if we are all concerned about our vitamins and nutrients, organics have a higher quantity of a lot of that than some of the mass-produced food that doesn't use organics, so I'm sure that will be of interest.

Again, I think we can look at the idea of helping the organics sector more because it will do very well in the future, when all the countries are going to be looking at the carbon intensity of production and environmental compliance.

**Ms. Tia Loftsgard:** I would like to share it with the committee, after this, but there's a new nutrient density study that has come out of the Rodale Institute, which is absolutely fascinating. It's cutting-edge research that actually shows the larger number of nutrients grown in organic food, in multiple crops.

**The Chair:** Thank you very much. We're at time.

[*Translation*]

Mr. Perron, you have the floor for six minutes.

**Mr. Yves Perron (Berthier—Maskinongé, BQ):** Thank you, Mr. Chair.

I'd like to thank the witnesses for being with us today.

Mr. Charlebois, my main concerns are having reciprocal standards and maintaining our local food resilience. We've talked about this before.

During the committee's last meetings, we heard from our fruit and vegetable producers. They came to explain to us that despite all their efforts, their hands are tied in certain situations. Let's take as an example carrots from Mexico coming into the country. We do not know what these vegetables have been sprayed with, and they are banned in the United States.

How do we support our producers in such situations?

How can we protect our producers and ensure that the rules and inspections they have to comply with are the same as those imposed on producers who export their products to Canada, without increasing the cost of food?

• (1615)

**Dr. Sylvain Charlebois:** Thank you for the question.

I'm pro-international trade. We have agreements with various countries around the world because we want to maintain food affordability in Canada. Canadian consumers benefit from carrots that are cheaper, mainly because they come from elsewhere.

In terms of Mexican rules, standards and equivalencies, you have to understand that they are not the same as in Canada. We are well aware that Canadian and Quebec producers are also investing in the United States and Mexico. Investments are made on both sides. International trade is defined in all sorts of ways.

I've always believed that farming in Canada is a competitive business. Currently, a lot of people use a penalty system instead of offering incentives to increase performance.

I would like to come back to the discussion we had earlier. It is important to make our agricultural practices greener. Eventually, the rest of the world will follow.

We can't have it all at once, but the biggest issue we have right now is food affordability. If we take action at the border, we risk hurting Canadian consumers.

**Mr. Yves Perron:** However, if we don't have a level playing field, there might not be any producers left in five or 10 years.

What I understand from your answer is that the solution would be to put incentives in place. I have been advocating for such measures for some time, such as environmental stewardship accreditation, financial incentives to improve performance and better supports.

You talked about the study you did on the cost of food in the United States and Canada. It mentions the issue of supports. In Canada, these are few and far between.

**Dr. Sylvain Charlebois:** We need to have those discussions as well, Mr. Perron. Support for farmers is absolutely crucial when we talk about supporting our agricultural sector to make it more competitive.

**Mr. Yves Perron:** We agree on one thing. In the current situation, we are really asking a lot of our producers whilst offering no support whatsoever by letting in products that do not meet the same standards as the ones Canadian producers have to meet. This is not a situation that is sustainable in the long term.

**Dr. Sylvain Charlebois:** I agree with you on that point.

**Mr. Yves Perron:** Ms. Loftsgard, please provide us with more details on what you are asking for in your three proposals.

With respect to the Organic Products Regulations, the review of organic standards is not officially overseen by the state, but it should be, because the standards are national. We fought for this, and we managed to get the funding.

Next time, will we get an act? We are always having to start over, because the government doesn't want to make a long-term commitment.

What would be in this act? What would it contain?

[English]

**Ms. Tia Loftsgard:** Thank you very much for the question. It's a great question. It's something we've been wanting to engage in.

For 15 years now, we've been regulated—

**The Chair:** I'll just stop you there.

I have stopped the clock. I will continue to talk in English until Monsieur Perron can hear this.

[Translation]

**Mr. Yves Perron:** I can hear you now.

[English]

**The Chair:** All right.

It's over to you, Ms. Loftsgard.

**Ms. Tia Loftsgard:** When organic first got regulated, it was under the organic products regulation under the agriculture act. When we got merged with the SFCR, the safe food for Canadians regulations, it all became around food safety. Many people said that they just didn't know what to do with organic, so they put us in there as part 13.

In other jurisdictions, they've actually created an act that's a stand-alone act that can play on not just the enforcement aspect. It should be around market development. That is how the United States has positioned organic. It's a market development opportunity. It's not only because consumers want it. It's also an opportunity to develop small to medium-sized producers. It allows for there to be crosscutting. Right now we kind of get in a silo where there is no policy directive at Agriculture Canada for organic, because it's really just about the enforcement side of things.

We run into silos, I would say, when it comes to working with Environment Canada, Health Canada and Global Affairs when it comes to organic, because there are no real policy directives. This is where we're looking at some of our trade partners. I will tell you that every single one of our trade partners has a stand-alone act.

• (1620)

[Translation]

**Mr. Yves Perron:** You say there are no real guidelines, but we still have standards that allow organic products to be certified.

What further guidance are you waiting for?

[English]

**Ms. Tia Loftsgard:** It's not about the standards. The standards will always remain incorporated by reference into the safe food for Canadians regulations. It's more about the infrastructure of our Government of Canada and the approach they have. I mean, I don't even know if this is a good example, but there's a fertilizer act. There's no organic act. The Fertilizers Act actually allows us to be crosscutting across various forms of different legislation.

This is something that I think we should really give some consideration to. It's something that we'll be coming to speak to our politicians about on November 18. We've requested meetings with many of our MPs to spell out exactly what that would look like. We're working with somebody who will be building out the framework.

**The Chair:** We're at time. Thank you.

Mr. MacGregor, we knew we couldn't keep you away for long. Welcome back.

It's over to you for six minutes.

**Mr. Alistair MacGregor (Cowichan—Malahat—Langford, NDP):** Thanks, Mr. Chair. I had to come back to keep an eye on you folks to make sure everything was okay.

**Voices:** Oh, oh!

**Mr. Alistair MacGregor:** Thank you to all of our witnesses. This is actually a pretty fascinating study. It seems like we're very much dealing with a hypothetical scenario. Basically, a what-if question is before us. I do appreciate the three of you who are guiding the committee through this study.

Maybe I will start with you, Mr. Cosbey. I think it's quite obvious that agriculture occupies a very special place in our economy. Many people recognize that. I think you can even see it in federal legislation like the Greenhouse Gas Pollution Pricing Act, which does have exemptions carved out for farming activities, farming machinery and qualifying farm fuels. I think you can see that also as a result of the majority of the House of Commons supporting a bill like Bill C-234. I think it was very much in the spirit of those existing exemptions.

Due to the fact that we're dealing with a hypothetical scenario, what I would like to know is this. Often when we're trying to think up a policy, I don't think there's enough attention paid to the good that agriculture is doing, to the good farming practices, because we know that, depending on how one farms, it can have a tremendous impact on not only the emissions but also the carbon capture that the farm is able to do. I guess I'd like to have your expertise here.

In a hypothetical scenario where we're having these conversations between the EU and Canada, how would the various parties come to an agreement on how we measure the capacity of good agricultural practices to capture carbon? Is there an agreed-upon standard that we could...?

I guess I'd just like to hear your thoughts to guide our committee on those conversations.

**Mr. Aaron Cosbey:** The complexities that you're getting into here are one of the reasons why I don't expect we're going to see agriculture covered by a CBAM-like instrument anytime soon. It's one thing to say that we're going to charge you for every tonne embedded in your steel production, because we know how much fuel is going in. We know the emissions factors involved in processing. We can pretty much estimate what your greenhouse gas intensity of operations is. It's a completely different thing if we're talking about agriculture as an activity where, as you say, you have soil carbon being either retained or emitted, depending on the differences in practices. You have application of fertilizer, which could, depending on how you apply it, have quite different emissions-intensity profiles. These are the complications that I think would absolutely....

Let me give you an example of why I don't think that could happen. I know I'm not answering your question directly, but the EU did not include chemicals in the CBAM. Why not? This is a highly emissions-intensive, trade-exposed sector. It didn't include chemicals, because the downstream value chain in chemicals is insanely complicated. Once you get beyond the six basic plastics—everything downstream in there—you have thousands and thousands of

products. Moreover it's difficult to understand how you allocate emissions to all the different products that might come out of a single facility. That complexity made them back off and say that they weren't even going to cover it.

I think you face the same kind of complexity in the context of agriculture, and moreover a political unwillingness to subject European agriculture to direct inclusion under the EU ETS. Therefore, there is no legal route to including it in the CBAM. However, if you did that, it would have to be a process of bilateral negotiation between the EU and Canada on how you figure out the emissions factors and what assumptions you make in terms of carbon uptake and emissions—they need to be different practices. It would have to be a vastly complicated negotiation. There's no straightforward answer to that question.

• (1625)

**Mr. Alistair MacGregor:** Thank you for that.

Dr. Charlebois, would you like to chime in?

In order for us to make a good policy in these areas, we of course need to have a good dataset underpinning it all, particularly when it comes to the variety of Canada's soils and the different mechanisms that are used with farming. We are a very regional country. We have very different farming cultures depending on what province you're in.

Do you have anything you can add to that, like the challenge that would exist in trying to frame this discussion between both sides of the Atlantic?

**Dr. Sylvain Charlebois:** Absolutely. It's a great question.

I firmly agree with Mr. Cosbey. I think it would be extremely difficult to measure.

I've actually mentioned before this committee many times that there is also a huge deficit in Canada when it comes to agricultural practices. To actually get access to all the data that would be required to negotiate with our trading partners would be extremely challenging. You would have to collect all that data, and then sit at the table with our trading partners and come to some sort of an agreement, which would be fairly complex to do and very costly as well.

I do agree with Mr. Cosbey in that it's probably why I don't think agriculture would be included or covered by CBAM at all. I'm fairly confident. I hope we're right, but I do think it would be extremely complicated to move forward with data collection and all the things you would need to properly negotiate.

**Mr. Alistair MacGregor:** Thank you.

Mr. Chair, it sounds like a great rationale for a national soil strategy. I'll conclude there.

**The Chair:** God love you.

Go ahead, Ms. Rood, for five minutes.

**Ms. Lianne Rood (Lambton—Kent—Middlesex, CPC):** Thank you, Mr. Chair.

Thank you to our witnesses for being here today.

We've heard throughout this study about carbon border adjustments—that they don't work, they hurt farmers, and if something hurts farmers it's going to hurt consumers. At the end of the day, as a farmer, I know what my costs are, and I know that I have to pass those costs on to the wholesalers.

Dr. Charlebois, you talked about the difference in prices between the U.S. and Canada. I'm curious, in your opinion, if the carbon tax is one of the factors and the differences between the inflation in the U.S. and Canadian food prices.

**Dr. Sylvain Charlebois:** Thank you for the question.

It's hard to answer that question, given the fact that we don't have any firm, level data, but we do believe that it is possible that the carbon tax is making our food supply chain less competitive. Since 2019 we've seen a dramatic shift between wholesale and retail in Canada, and prices.... You would think, perhaps, it has to do with a global economic context, but the United States has been immune to what has happened in Canada. Something different is happening in Canada versus the U.S. You would have to look at factors that are different in Canada and the U.S., and one of them is the carbon tax policy.

**Ms. Lianne Rood:** Thank you very much.

Do you believe that carbon border adjustment measures would further drive up the cost of food?

Could you maybe comment on how price pressures are driving Canadians to use food banks more right now?

**Dr. Sylvain Charlebois:** As soon as you implement tariffs or any barriers at the border, you are eliminating options for consumers. At retail and, of course, wholesale, there could also be complications. It is highly likely that you would push prices higher as a result of a policy like that.

Food insecurity in Canada is at 22.9% right now. It's at the highest it's ever been, and it's a problem. A lot of people need help. A lot of people need support, and a lot of people can't buy the food that they need at the grocery store right now.

**Ms. Lianne Rood:** If our standards were aligned with U.S. standards, because we talk about reciprocity and different food standards, what would that mean for Canadian consumers? Do you believe that we'd have access to more food and perhaps lower prices for food?

• (1630)

**Dr. Sylvain Charlebois:** Not necessarily, but I am sensitive to the issue of standards. I think it's important that Canada remains an example.

I would say that the work that is being done by organic farmers is a great example. I think we need to support that sector as much as possible and expand it. There are things that we can do very well and remain competitive.

At the end of the day, we need to also be cognizant of the fact that we could jeopardize food affordability in Canada when we play with the border, and we've seen that time and time again throughout history.

**Ms. Lianne Rood:** Thank you.

I'll cede the rest of my time to Mr. Steinley.

**Mr. Warren Steinley (Regina—Lewvan, CPC):** Thank you very much.

I have one question for Dr. Charlebois

It's good to see you again, Sylvain.

He is from Regina at the University of Regina, and we met many years ago when I was a young student at the University of Regina.

I have been trying to figure this out, and I haven't. We're talking about a carbon adjustment or a carbon price where a tax has decreased the cost of a product. When a tax has been applied to something, is there a rationale why that product would ever go down in price?

**Dr. Sylvain Charlebois:** Do you mean a retail tax or a tax at the border, a tariff?

**Mr. Warren Steinley:** I mean either a tariff or the carbon tax.

**Dr. Sylvain Charlebois:** We have a good example in Canada; it's supply management. I know there are a lot of supporters of supply management in the room, but when you look at prices in the U.S. versus Canada, we have high tariffs at the border protecting our supply management sectors. That's the choice we've made but, of course, it really suppresses competition.

If you look at retail prices in Canada versus the U.S., generally speaking, for poultry, eggs and milk, prices are much higher in Canada than in the U.S.

**The Chair:** Unfortunately, we're out of time, but thank you, Mr. Charlebois.

Thank you, Mr. Steinley.

Monsieur Drouin, you have the floor.

[*Translation*]

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Thank you very much, Mr. Chair.

[*English*]

There are a couple of facts here. Obviously, Canada exports more than 50% of what we produce, so we're subject to export controls from other countries, and I think that's why we're having this conversation today. Canada's not necessarily talking about implementing a carbon border adjustment, although G20 countries are talking about it. Canada is having this conversation, but nobody's talking about imposing a CBAM tomorrow morning.

My issue is that, when you analyze the political landscape of what's happening in the EU and understand what happened in December, January and February with the farmer's movement there.... My colleague Monsieur Perron and I call these *les clauses de réciprocité* here. In the EU, they call them mirror clauses.

The largest economy in the EU is pushing the EU to implement a CBAM on agricultural products right now. I agree with you that there is no perfect way to measure this right now, but if you're chatting with the folks in the academia sector, they are trying to measure and find out, whether in a wet season or a dry season, if we can we find that delta to determine how much crops are capturing carbon versus how much they are exposing carbon.

I just believe that if we do not take this seriously, we may end up putting our ag sector at a competitive disadvantage.

In the U.S., down south, right now we have a presidential candidate who is actively saying that there will be a 10% tariff on anything, so the world has completely changed from what it was 10 years ago. That's where I'm trying to take us to. What does Canada do?

Monsieur Charlebois, you mentioned that more incentive is the best way to go. Back in the early 1990s and late 1980s, we said, "We're going to put a price on CFCs." We got rid of CFCs that were in the refrigerators because two countries got together and said that enough was enough.

The carbon tax, whether you agree with it or not, is the cheapest way to motivate a sector to move to substitute products, Mr. Steinley. That's what economists would say.

They both won a Nobel Prize, by the way—I'm just saying.

What does Canada do in 10 years if we export 50% of what we produce and they start introducing a CBAM, and because the technology has adapted it's now easy to measure our agricultural carbon output? What do we do?

I can start with Mr. Charlebois. I would also ask you whether you've looked at other jurisdictions, what they're doing and the political landscape as well.

I'll start with Monsieur Charlebois, and afterwards I can go to Mr. Cosbey too.

• (1635)

**Dr. Sylvain Charlebois:** Thank you, Mr. Drouin.

I'll be brief to allow my colleagues to answer your question.

I would say that we absolutely need to continue to decarbonize our agri-food economy. There's no doubt in my mind. Of course, we tend to disagree on how to do that. I would prioritize two initiatives. One is investing in green technologies, and two is measuring carbon capture, at the farm level specifically and across the supply chain as well, to understand exactly what is happening.

The accounting of carbon capture essentially is, in my view, underappreciated.

**Mr. Francis Drouin:** I agree 100% , but if we do that, then we obviously have effectively found a way to aggregate this data down the line to provide a general number to the world to say that this is how much carbon we are capturing or how much carbon we are putting out.

If we are to participate in a cap and trade, for instance, and companies are investing in agriculture, we need to be able to say that if

you plant  $x$  amount of whatever, you're capturing  $x$  amount of carbon. Therefore, you have found an effective way to measure.

**Dr. Sylvain Charlebois:** That's correct.

**Mr. Francis Drouin:** Okay, but we're still working on that. That I understand.

Mr. Cosbey, I'll go over to you.

**Mr. Aaron Cosbey:** I would just very quickly agree that it's a no-lose policy to work on the measurement. To my knowledge—and I'm not an expert in this field—the measurement and the science of soil carbon capture and release is not there yet. However, it provides a foundation, not only for the kinds of things we're talking about here but for the proper functioning of offset markets that might rely on agricultural soil carbon retention in the future. That's all good.

Let me try one more time to convince you why this isn't a threat, though, if we're talking about the CBAM or carbon adjustment. The CBAM functions by asking individual producers for their data. It's not a national average figure. It works in the context of steel. We have about six big steel mills in Canada. How many agriculture producers do we have in Canada? Would you imagine a system that asks each of them to measure at the farm level, at the operation level, their carbon intake and their carbon emissions and then report on that?

Would it make any economic sense for any individual operator to participate in a regime like that, or would we just export somewhere else?

**Mr. Francis Drouin:** Technology is changing that conversation, and that's the point. Obviously, we don't want auditors on properties; obviously, we don't want that. However, technology is making that much easier today, and it will make it easier tomorrow. If you just go to the farm show out in Saskatchewan or Woodstock, you'll see a bunch of companies that are working on that right now.

**The Chair:** We're at time. I gave a little bit extra to Mr. Cosbey.

[*Translation*]

Mr. Perron, you have the floor for two and a half minutes.

**Mr. Yves Perron:** Thank you, Mr. Chair.

Mr. Charlebois, I understand the context of the example you gave regarding supply management.

That said, you explained that in the United States, agriculture was subsidized upstream. Consumers in the United States are therefore paying twice for their milk. You may get the impression that the purchase price is lower, but at the end of the day, it's not necessarily the case.

The countries that removed supply management systems did not see a significant drop in the selling price of products. There has, however, been a significant drop in producer incomes.

Am I wrong?

**Dr. Sylvain Charlebois:** In my opinion, we have not made a choice in Canada. I would remind you that compensation is currently being offered to producers through the agreements that were recently signed. I'm talking about billions of dollars. It's not subsidies; it's compensation. I think it amounts to the same thing. Currently, in Canada, we offer both.

In my opinion, there is a bit of a hypocrisy going on here. On the one hand, the state sets quotas. On the other hand, producers are compensated indirectly with money because we have signed an international trade agreement with three major zones.

Personally, I have always said that there should be a single vision, not three or four.

**Mr. Francis Drouin:** I have a point of order, Mr. Chair.

**Mr. Yves Perron:** I understand, and I don't want to change—

● (1640)

**The Chair:** Mr. Perron, I'm sorry to interrupt you, but a point of order has been raised.

**Mr. Francis Drouin:** I think Mr. Perron was just about to broach the topic of supply management. I would love to discuss that with Mr. Charlebois, but I think we have to stick to the subject at hand.

**Mr. Yves Perron:** It was the subject at hand, since that's the example he gave.

**The Chair:** This is just a gentle reminder.

**Mr. Yves Perron:** I was getting to it. You can trust me, Mr. Chair.

**The Chair:** Mr. Perron, I understand that it was related to Mr. Charlebois' comment.

You have 45 seconds left.

**Mr. Yves Perron:** I don't want to turn this into a debate, but these are temporary compensations for permanent losses. This is an important debate that cannot be held in two minutes.

Ms. Loftsgard, I would like you to send the committee the details of your three proposals in writing, because the time allotted for testimony is very short. I would like to know what you see in this piece of legislation.

Mr. Cosbey, I'd like to talk to you about reciprocal standards. Do you think it's possible to have completely different systems and provide our citizens with affordable food while implementing measures to have reciprocal standards?

[English]

**Mr. Aaron Cosbey:** I guess the intent of a border carbon adjustment mechanism, and all the other similar mechanisms like that, is that it's a way to deal with non-reciprocity of standards.

**The Chair:** Thank you. We're going to leave it at that.

Alistair, take us home here. I might have one question, but go ahead.

**Mr. Alistair MacGregor:** Thank you, Mr. Chair.

I think I'll save my last spot for Ms. Loftsgard.

In your opening statement, I appreciated how you were talking about the need for Canada to get serious about having its own stand-alone organic act. I know that's something that your organization has been working very hard on. I also appreciate how you talked about some of the advantages. Don't get me wrong. There are challenges for organic farmers, but when it comes to some of the inputs, I know that organic farmers are really trying to lead the way on how they reduce their inputs. I think it's an example that is shared amongst the wider agricultural community.

The question I really want to get down to is this: For some countries in the European Union that have taken a national strategy with respect to organics seriously and are really committed to it, when you put that in the context of where we are at in Canada—and we know that the market and the demand for organics is growing—what kind of a competitive disadvantage does that leave our organic farmers vis-à-vis those European countries that are taking this very seriously?

**Ms. Tia Loftsgard:** I think it was pointed out that we are an exporting nation, and we are Europe's 20th-largest exporting partner. As they develop their own organic capacity, of course, it's going to be fewer exports I would say unless we can keep our pricing competitive on the export side of things. Also, we're seeing a lot more cheap imported goods coming into our country. We're finding people are buying wheat from other jurisdictions, but we're a wheat-producing nation. There's something wrong with that system.

We really need to look at how to make sure that there is going to be a competitive advantage for sourcing Canadian, without a supply-managed system. Because our sector doesn't even have the ability to apply for a check-off, we can't even access many of the programs that already exist with Agriculture Canada.

If we can get to that place where we have an organic act, we can unveil the funding mechanism that we're in discussions about. We're really looking at how we can have more support from Agriculture Canada on the market development side, but also more transition funding for farmers and extension services.

**The Chair:** Thank you very much. You are right on time.

I have quick question for either Mr. Cosbey or Mr. Charlebois.

It's interesting because the conversation is premised on whether we believe there's something to be done to support the sector in decarbonization or reducing emissions. I'm not hearing any of the testimony to say that it's not the case. The question becomes how you go about doing that.

Mr. Charlebois, you talked a lot about that, about green incentives, investment from the government. We're seeing a lot of that in the United States with the IRA. Carbon pricing is one tool. There are other tools. There are regulatory tools. There are government subsidies. All of that comes with a cost, either a cost to the producer or a cost to the national treasury, maybe a cost to the consumer. Then, of course, doing nothing on climate has its own cost.

Beyond CBAM, because, Mr. Cosbey, you've said that you think that's unrealistic—I think that's fair—is there ever a way that we're going to be able to reconcile the competitive advantage that Canadian agricultural already has from an emissions-intensity perspective in certain goods...or to be able to reconcile countries that are choosing to try to work with industries to reduce emissions that inherently have one of those cost factors? Do you ever account for that, or are we just going to decouple this conversation altogether and really that doesn't come into the fore?

That's what I want to get at. If you have 30 or 45 seconds each... If not a carbon border adjustment—fine, because it's too complex—do you see a club system where countries that are actually choosing to do something get together and say, we're doing something, whether it's regulatory, subsidization or some form of carbon price? The countries that are not, are they subject to a tariff, or is this just decoupled completely and we never really account for that, either competitiveness or the true cost, in some form, of trying to reduce emissions?

● (1645)

**Mr. Aaron Cosbey:** I can take a first shot at that.

The G7 initiated—but it's gone beyond the G7 now—a climate club, more focused on industrial decarbonization for exactly the reasons you're talking about. It's the idea of co-operating among all the willing countries on a number of things but including something like a mutual agreement on regulatory measures, which would raise the cost of production, at least initially, but would also shut out those countries that didn't commit to those kinds of regulatory improvements.

I don't see why you couldn't apply the same principle in the context of agriculture. That climate club is existing and looking for an expanded mandate as we speak. There's also the industrial decarbonization agenda at the G7.

That kind of a club idea strikes me as the one way you could deal with that, if you weren't talking about prices. If you're talking about prices, then you probably want a border carbon adjustment for Canada. Again, I wouldn't go there with agriculture.

**The Chair:** I think it's interesting because it's not really around pricing. It's that there's a true cost. If you're the Americans, you're spending a lot of taxpayers' money right now to help reduce emissions. How is that ever accounted for? I take your point about the pricing being too complex to ever do a CBAM.

Mr. Charlebois, you have 30 seconds to a minute.

**Dr. Sylvain Charlebois:** To quickly answer your question, I would say that you cannot make the agri-food sector more competitive unless you decarbonize the sector. It has to be done in a measurable manner. You also need to talk about investing in green technologies over time. That's the way I see it. Right now, there's little that is being accounted for. There's also little measurement. That's a dangerous thing to do.

**The Chair:** Beyond the measurement, though, is there a way that you actually account for it in the global economy, or is that just decoupled and we do it out of the goodwill of our hearts?

**Dr. Sylvain Charlebois:** Unlike Mr. Cosbey, I mostly look at our domestic reality, because we do export a lot. I don't see that changing any time soon.

**The Chair:** Thank you very much.

Again, I'm sorry to test the patience of Mr. Steinley for a few extra minutes. I won't do it that often moving forward, Mr. Steinley.

Thank you to our witnesses, Mr. Charlebois, Mr. Cosbey and also Ms. Loftsgard.

Colleagues, don't go far. We're going to transition to our next panel. We'll just be a few minutes.

The meeting is suspended.

● (1645)

(Pause)

● (1650)

**The Chair:** Colleagues, we're going to get right back at it.

Thank you to our technological team for turning us around pretty quickly.

We're going to get right back at it because we have a busy second panel. From the Canadian Cattle Association, we have Jack Chaffe, officer at large, and Jennifer Babcock—who is no stranger—senior director of government relations and public affairs. From Cereals Canada, we have Mark Walker joining us online.

It's good to see you again, Mr. Walker.

From CropLife Canada, we have Pierre Petelle and Émilie Bergeron. It's great to see you both as well.

I'm going to start with the Canadian Cattle Association.

It's over to you for five minutes.

● (1655)

**Mr. Jack Chaffe (Officer at Large, Canadian Cattle Association):** Thank you, Chair.

Thanks for the opportunity to present here on behalf of the Canadian Cattle Association, or CCA, for your study on carbon border adjustments and impacts on the ag sector.

My name is Jack Chaffe. I'm an officer at large with the CCA. Along with my family, I own and operate a beef feedlot in southern Ontario. I'm joined here today by Jennifer Babcock, senior director of government and public affairs.

CCA is a national organization representing Canada's 60,000 beef producers. The Canadian beef industry is a significant driver of our economy and a global leader in sustainability, contributing \$21.8 billion to Canada's GDP and supporting approximately 350,000 full-time equivalent jobs. A prosperous and thriving beef industry generates considerable economic, environment and social opportunities and benefits for Canada.

As you may have heard, the Canadian beef industry has set ambitious 2030 goals that will drive the future for economic and environmental sustainability. Beef producers are significant positive contributors to Canada's environment in sequestering carbon while conserving biodiversity. We already lead the world with less than half the global average in greenhouse gas emissions intensity, and we're not resting on those laurels.

Several of our 2030 goals include a 33% further reduction in greenhouse gas emissions; preserving our 1.5 billion tonnes of carbon sequestered in Canadian grasslands; sequestering an additional 3.4 million tonnes annually; and preserving Canada's remaining 35 million acres of native grasslands.

When we look at government programs and policies, we need to look at the whole picture to ensure we're not in unintended consequences. This is where the border carbon adjustments, or BCAs, raise concerns in our sector, particularly on trade perspectives. With the rise of protectionist measures around the world, how do BCAs impact the global trade dynamics?

The Canadian beef sector exports around the world approximately 50% of our production of live cattle and beef. Trade is essential to achieving global food security, as well as sustainable development.

It's worth noting that at the World Trade Organization's recent public forum, where sustainability was a central theme, BCAs and other similar policies were flagged as non-tariff trade barriers. The WTO notes that these types of policies have a negative impact on developing countries. With so much international discussion blending sustainability and trade policy, the CCA urges that any domestic sustainability policies are consistent with our WTO obligation to consider international trade implications before implementing.

I'm going to highlight a few of our recommendations focusing on regulations, costs to producers and competitiveness.

One is regulatory harmonization. We continue to seek further regulatory alignment with trusted partners. The implementation of sustainable policies should not add regulatory burdens to producers but instead look at how to align regulatory systems and reduce red tape that impacts the flow of trade.

Two is additional costs to producers. Producers are price-takers. When additional compliance and administration costs are incurred, producers are disproportionately affected, making it more difficult to compete. As new policies are developed, the cost to producers must be addressed.

Three is competitiveness. Canada's current domestic carbon policies have led to increased costs for producers, which puts us at a competitive disadvantage with producers around the world. We encourage the government to ensure that there are not unintended impacts to our global competitiveness through new policies.

- (1700)

We urge policy-makers to consider potential trade impacts to the agriculture sector, of which 90% relies on trade. Canada should be proud of beef production across the country. Not only are we leaders in world sustainability practices, but we are always looking for continuous improvement. Canada will naturally be at a competitive

advantage. We need to ensure that government policies enable us to grow our sector.

Thank you. We'll be looking forward to questions.

**The Chair:** Thank you very much.

We'll now turn to Mr. Walker, please, for up to five minutes.

**Mr. Mark Walker (Vice-President, Markets and Trade, Cereals Canada):** Thank you, Mr. Chair and members of the committee, for having me here today.

My name is Mark Walker. I'm the vice-president of markets and trade at Cereals Canada.

Cereals Canada is the national industry association for wheat, durum, barley and oats in Canada. We represent the full value chain from farmers to crop development companies, grain handlers and exporters. Our members are focused on the benefits of export-led growth facilitated by access to diverse global markets. Canadian cereals are a staple food exported to every corner of the globe and over 80 different countries. In an average year, Canada's wheat, durum, barley and oats sectors generate \$68.8 billion in economic activity, including more than 370,000 Canadian jobs.

I appreciate the opportunity to appear before you today to provide input into the committee's study regarding border carbon adjustments, or BCAs, as well as reciprocity standards on Canadian agriculture. BCAs are a new and developing area of environmental policy with some certainties and significant uncertainties.

At the outset, it's important to note and highlight how a BCA and associated reciprocity might function, but also the structure required to achieve that function.

A BCA and associated reciprocity must apply a price on carbon on imported products from jurisdictions that do not have a price on carbon and provide reciprocal relief to entities exporting to jurisdictions that do have a price on carbon. In creating a BCA that would apply to jurisdictions that do not have a price on carbon, the government would have to assign carbon intensities to the harmonized system or HS codes of products that are imported into Canada, aligned with the carbon intensity of the life cycle of that product in the exporting country's production system.

Some thought would also have to be given to the carbon intensity of comparable domestically produced goods, and whether the carbon price assigned to that domestically produced good is higher or lower than the imported good. What this would do is take the work of ECCC's carbon markets bureau and replicate it on a global scale. For example, in order to assign a price on carbon to north African or North American fertilizer, the scope 1, 2 and 3 emissions of that product would need to be properly verified.

The concept of a reciprocal structure is somewhat more straightforward. However, one must consider exempt jurisdictions with a price on carbon that are subnational, like California; national, like China or the United Kingdom; and supranational, like the EU. This reciprocal structure would need to be spelled out in treaties that seek to avoid double taxation, like the kinds Finance Canada already currently administers. These treaties would provide relief to exporters sending products to markets with a price on carbon and their importers shipping products to Canada.

Again, thought would have to be given to the carbon intensity of comparable domestically produced products and whether the price on carbon assigned to that domestically produced good is higher or lower than the imported good when assessing the appropriate quantum of relief.

In addition to administering the noted treaty regime, the government would need to be properly resourced to collect and refund taxes as necessary.

These are the considerations related to a BCA and associated reciprocity that are well understood. However, there are other considerations that I must flag which, while far less clear, are also critically important.

In addition to the significant government resources required to set up and administer this initiative, it would also burden private companies and individuals with new reporting requirements, processes and costs. It would create an entirely new school of accounting in Canada akin to GST and capital gains.

The Canadian cereals industry is export-oriented but reliant on imports of key inputs. A BCA could increase the cost for Canadian farmers of things like imported fertilizer products from some of our largest import sources. Specifically, these are north Africa and the U.S. Furthermore, the carbon intensity of various agriculture inputs varies across the country, whether they be kilowatt hours, BTUs or fertilizer. This policy runs a significant risk of creating and exacerbating regional discrepancies due to the varied carbon intensity of available products.

Over 70% of Canadian cereals are exported around the world. It is unclear what impact associated reciprocity would have on our primary production and domestic end products. Certainly, some domestic consumers of some products would be better off, while some exporters of other end products could be worse off. In seeking to realign economic equilibria from existing government intervention, this policy could in fact exacerbate existing economic disequilibria.

I would note the government's efforts through this policy to place value chains on more equal footing with international competitors.

However, the outcomes of that effort are far from certain at this time.

Given the uncertainty regarding possible outcomes, Cereals Canada would ask that this policy not move forward until its administrative and economic impacts have been comprehensively studied and addressed by the government.

Thank you for your time. I look forward to any questions you may have.

● (1705)

**The Chair:** Thank you very much, Mr. Walker.

We'll now turn it over to CropLife.

Mr. Petelle, go ahead.

[*Translation*]

**Mr. Pierre Petelle (President and Chief Executive Officer, CropLife Canada):** Good morning.

My name is Pierre Petelle. I'm the president and CEO of CropLife Canada.

[*English*]

I'll be sharing my time and opening remarks with my colleague from CropLife who is with me today, Émilie Bergeron, vice-president of chemistry.

Thank you very much for inviting us to participate in your study on the impact of border carbon adjustments and reciprocity standards on Canadian agriculture.

CropLife Canada is a national trade association representing the manufacturers, developers and distributors of crop protection products and plant breeding innovations for both the conventional side and the organic side, representatives of which were here earlier.

We advocate for a predictable, science-based regulatory environment for both pesticides and plant breeding innovations in Canada and internationally. Furthermore, we champion a regulatory environment that both protects human and environmental safety while encouraging innovation and competitiveness.

As a heavily trade-dependent nation and the fifth-largest food exporter in the world, in fact, Canada must ensure that protectionist measures are vigorously challenged and that we don't contribute to this trend by imposing measures that, while well intentioned, could result in further trade-restrictive actions by our trading partners.

Our regulatory system for crop protection and plant breeding innovations is rigorous and protective of health and the environment. We mustn't let other countries dictate what's in our farmers' tool box. It could be tempting to call for the adoption of unilateral reciprocity measures to create a level playing field for growers. However, the adoption of these measures could result in a race to the bottom, preventing producers from using safe and efficient tools to produce the abundant and affordable food that we need to feed the growing population.

Don't get me wrong: We have a lot of work to do on our own domestic regulatory system to be more nimble, to encourage new innovations and to make sure our farmers are the best equipped to deal with growing pest pressures and increasingly volatile weather. However, in our view, the best way of supporting the competitiveness of the agriculture sector is through increasing regulatory harmonization and co-operation with trusted jurisdictions and by promoting the adoption of international safety standards.

I'll turn it over to Émilie.

**Ms. Émilie Bergeron (Vice-President, Chemistry, CropLife Canada):** Farmers in Canada and around the world are increasingly faced with the need to produce more food from fewer resources and under less predictable growing conditions. With that in mind, Canada must continue to stand firmly in defence of a science and rules-based trading system for agricultural products.

CropLife Canada and our members share the view that, as others, such as CAFTA, have previously expressed to the committee, sustainability policies and trade-related climate measures must not impose unnecessary regulatory burdens or become non-tariff barriers to trade.

[Translation]

As an industry, we're concerned about the rise of protectionism that we're seeing around the world. In this regard, the mirror clause or reciprocity clause that Europe is using to impose a new unjustified barrier to agricultural trade is of particular concern.

For example, Europe recently adopted new measures on pesticide residues under the guise of creating a level playing field for its producers. This new measure, which is not science-based, will create unjustified barriers to imports and will dictate to producers around the world the practices and tools they can use if they wish to export to Europe.

Not only does this type of measure have an impact on producers' ability to respond to the agronomic challenges they face, but it also prevents them from using safe, effective and innovative tools to be more productive and competitive.

We believe that Canada must play a leading role at the international level to defend the multilateral rules-based trading system and the interests of Canadian producers.

As an export-oriented sector, we need our government to be at the forefront of international efforts to denounce the use of unilateral measures inspired by the mirror clause and to ensure that sustainable development policies facilitate trade and are consistent with World Trade Organization or WTO rules.

[English]

As this committee is aware, the Canadian agriculture industry produces some of the most sustainable, high-quality crops and food in the world. As others have previously testified, there is clearly a need for government and industry to develop solutions that will continue to improve agriculture sustainability while promoting trade and supporting food affordability.

Canadian growers rely on access to the latest innovative tools, including pesticides and crops developed through modern biotech-

nology, to meet the food and feed needs of Canadians and the world and to improve agricultural sustainability. They also rely on a strong multilateral rules-based trading system that supports their competitiveness and allows for achieving greater sustainability outcomes.

Thank you once again for inviting CropLife Canada to participate. We look forward to your questions.

• (1710)

[Translation]

**The Chair:** Thank you very much for your presentation, Ms. Bergeron.

Mr. Barlow, you have the floor for six minutes.

[English]

**Mr. John Barlow:** Thank you very much, Mr. Chair.

I'm going to start with the Canadian Cattle Association. You mentioned your concerns of a CBAM being a non-tariff trade barrier. I share your concerns in that we have already seen the impact of these non-tariff trade barriers, like hormones and carcass washing, and certainly we see the impact that has had on Canadian beef and pork exports into the EU.

My colleagues want to say this will be a benefit to Canadian agriculture because our benchmarks are so much better than in the EU, which is true. However, the EU is still finding a number of ways to block our products from getting into the EU.

I look at those issues and, now, the new deforestation policy that the EU is trying to implement. From your perspective, do you see this as yet another non-tariff trade barrier that the EU is putting on not just Canada but probably other jurisdictions?

**Ms. Jennifer Babcock (Senior Director, Government Relations and Public Affairs, Canadian Cattle Association):** Yes, we absolutely see this as a potential non-tariff trade barrier, and it's not just between Canada and Europe. A few weeks ago, we were at the WTO's Public Forum, and sustainability and trade were the focus of that forum. There were multiple concerns, and member states raised multiple concerns on border carbon adjustments and how they will be seen as a barrier to trade around the world.

At a time when we are also having the discussion of global food security, we need to be able to have more export opportunities and not be putting up barriers. From our perspective of Canadian beef, we have our trusted trading partners, and we need to ensure that we're not doing anything to negatively impact those relationships.

**Mr. John Barlow:** I think that's an excellent point. We always hear around this table talk about food security, but it's not just about Canadian food security. It's global food security. If other countries, including the EU, don't understand that they have to rely on Canadian imports to feed their populations, and if they continue to do these types of policies, that is going to have a massive impact on food security globally.

Perhaps, Mr. Petelle, you could comment on that as well in terms of this being a potential non-tariff trade barrier. You've already talked about the costs that your members face when it comes to the carbon tax, higher input costs and fertilizer costs. This could, again, make us additionally uncompetitive and limit our access to those markets.

**Mr. Pierre Petelle:** Yes, we have a robust system to approve products. If a region like Europe decides to remove tools from their own farmers' tool box for quite often political reasons—I'll say it—why should Canadian farmers then suddenly lose access to those same tools to combat the very real pest pressures that they have here, to grow sustainably, to be able to rotate their chemistry and to do the right things agronomically? That's what we're facing. If we go down this path of reciprocity on crop protection, you will end up with just a handful of products approved globally that farmers can use and then all the problems that brings.

I often say that, when Europeans travel in Canada, they don't bring their own bag lunch. They eat our food confidently, and we do the same when we travel there. We have to be realistic in the standards that we're imposing and accept that there are different approaches in different regions.

**Mr. John Barlow:** Thank you, Mr. Petelle.

Perhaps to Mr. Walker and maybe to the group, the pivot to this will be our ability to talk about what Canadian agriculture can do. There's a current bill, Bill C-59, that we call the greenwashing bill. I think it was aimed at the energy sector, wrongly aimed, but clearly agriculture would fall under this. This would impede your ability to even talk about what we're doing as Canadian agriculture to then access these other markets through a CBAM. It seems quite nonsensical if we are talking about the impact on Canada of having a CBAM, but we're not allowed to talk about it as a result of this greenwashing bill.

Mr. Walker, can you comment on the implications of that?

I have seen many of these stakeholders now wiping their websites clean of their incredible achievements because they're worried about liability.

• (1715)

**Mr. Mark Walker:** Thank you for the question Mr. Chair.

Bill C-59 received royal assent this summer. It did contain greenwashing provisions amending the Competition Act.

We know that Canadian agriculture is sustainable. We know that we sequester more carbon than our international competitors. We know that we use fertilizer, water and pesticides efficiently and that we're low carbon. What these amendments do—absent of clarification from government on the intended purpose—is prevent us from sharing our sustainability story, which is, unfortunately, also caught

up in the possible development of a CBA. The absence of clarity on an international standard in a CBA could absolutely prevent this initiative from moving forward due to recent amendments to the Competition Act.

**Mr. John Barlow:** Mr. Petelle or Ms. Babcock, do you want to answer at all on the impacts that Bill C-59 is having?

**Mr. Pierre Petelle:** We've shared this same sentiment in our submission to the government on that, basically saying that there are serious concerns about unintended consequences. I think you've outlined them well.

**Ms. Jennifer Babcock:** I will just quickly add that we also submitted on that. We are very concerned about ensuring that we keep our science-based standards in Canada and that we do not follow trends that may be political in other countries. With Bill C-59, that was one concern of ours and knowing what the international standards are that we have to follow within this. We've put in our consultation, and there are a lot of lawyers who are now involved in this, as a lot of folks are concerned.

**The Chair:** Those old lawyers.... I was one before I got in here.

**Mr. John Barlow:** They're the worst.

**Some hon. members:** Oh, oh!

**The Chair:** Go ahead, Mr. MacDonald. You have six minutes.

**Mr. Heath MacDonald (Malpeque, Lib.):** Thank you to all the witnesses for being here today.

We won't talk about lawyers anymore.

From my perspective and from this committee's, what we're doing here today is trying to delve into preparation for what could happen. I mean, it's hypothetical at this point in time. We know that there are relevant issues around what the EU is doing and, when Donald Trump was last president, what he did right away for steel and aluminum, so we have to be prepared.

We know there's a greenhouse gas inventory and assessment program in the U.S. that they're utilizing right now. There are gaps in modelling and data collection, obviously, but I sit here and say that our farmers across this country, in all the different sectors, are likely on the leading-edge compared with most farmers around the world. To me, I say, let's find out and figure out whether this could be of benefit to us.

We know that in the U.S. right now they're measuring GHG emissions. We heard, when some of us were in the U.S., that they were starting that—and that was from congressmen. Some of these people were sitting around that table—and, believe me, they're pissed off at the EU for doing what it's doing—but that doesn't mean that we can sit back on our heels and wait for it to happen. I think right now is the time to dig in and come together—industries and governments at every level—to try to prepare for it in case it does happen, because I think it could be an advantage for us.

The other side of this is that there's a lot of talk about carbon credits and how that could eventually help farmers, bottom line, on their income balance sheet per se. I think there are challenges, obviously, and the discussion is about fair trade and reciprocity, but I think also that we need to prepare everybody for this and to all be working on the same page.

In 2022 the CCA—and I'll go to you guys first—the Canadian Cattle Association issued a release following meetings with its U.S.-Mexican counterparts regarding CUSMA. There was specific mention of working together on global challenges and non-tariff barriers faced by some jurisdictions. I'm just wondering whether carbon border adjustment mechanisms were part of those discussions.

**Ms. Jennifer Babcock:** No, they were not. However, the main focus of those non-tariff barriers was addressed at Europe....

**Mr. Heath MacDonald:** What about Europe itself? Was Mexico not involved at all?

**Ms. Jennifer Babcock:** At our trilateral meetings we looked at what the barriers are that we all face similarly in North America, and several of the regulations and policies that were coming forward from Europe are impacting us all, with deforestation regulations being one of them.

• (1720)

**Mr. Heath MacDonald:** The other angle, perhaps, the reciprocity—and I think Mr. Walker mentioned it—was relevant to.... The EU is basically stating that, if they're going to do this—and they're talking steel and aluminum now and cement, that's fine—they're going to give back to their industries and sectors the tariff revenue that is generated at the border on their imports, which again will put us on a level playing field for what's going to transpire if they ever get to the agriculture sector.

Mr. Walker, you mentioned in your preamble, relevant to that.... Can you just expand what your thoughts are on it?

**Mr. Mark Walker:** I did ponder putting some sort of assessment of that in my remarks. It's quite challenging given that, as an export-oriented industry that exports over 70% of our products, there's a patchwork of countries that have a price on carbon and there are a significant number that don't. It's unclear from our industry's perspective whether or not this would, in fact, make them whole and be revenue-neutral.

The costs are myriad and quite opaque at this time, unfortunately. I'm sorry, but I don't have a better answer for you.

**Mr. Heath MacDonald:** In reality, we're measuring soil carbon right now, and it's similar to soil fertility. Carbon storage.... When you go into Deloitte Touche and you start reading about carbon

credits, they're actually starting to measure agriculture inputs in regard to what we can pay back to the farmer for carbon credits, so the measurements are starting to build.

Someone talked about universities earlier today, that they're starting to test all this. I don't think we should run from it. I think we should prepare for it, and I think we're in a very good position in Canada to do that. I think that putting our heads in the sand, hoping that these don't become trade barriers, and so on and so forth...and it becomes political because it will become political. It will become geopolitical if there's going to be an advantage to an industry.

I'm talking about geopolitical right now because I'm saying that we can get in front of this and have success with it if it happens, hypothetically, but we need to be prepared.

Mr. Petelle, you were going to say something.

**Mr. Pierre Petelle:** There have been a lot of non-tariff barriers that were cloaked in doing the right thing. Our caution is not necessarily specifically to carbon border adjustments, but we've seen many examples where, under the guise of protecting the environment or doing something for their people, they impose these non-tariff barriers. That has a significant impact on an exporting country like Canada.

**Mr. Heath MacDonald:** I totally agree. Thank you.

**The Chair:** Mr. Perron.

[*Translation*]

**Mr. Yves Perron:** Thank you, Mr. Chair.

I'd like to thank the witnesses for being with us today.

I'll start with Ms. Babcock and Mr. Chaffe.

You spoke of about non-tariff barriers. We all know about Europe. It's quite shocking that you still don't have access to that market, to which you should have access, especially if we consider the quality of the products we make here. I think we all agree that these are high-quality products.

If we want to trade with foreign states, we have to talk about establishing reciprocal standards. Earlier, I gave the example of the impact of carrots from Mexico on Canadian produce growers, but I could say the same thing about you and your access to the European market. It's unfair that we are refused access, because we offer a high-quality product. Perhaps those discussions should take place at the WTO.

At the moment, we have no access to the European market. Products from Mexico, for example, shouldn't start entering Canada and compete with what your sector produces. I'm not sure we would want that. We could eventually expand trade with Mercosur, but I'm not sure that the conditions for breeding and slaughtering are the same in Brazil and those countries.

It's all well and good to say that we want to promote free trade so that there are no barriers, but we have to talk about it, because it is putting us at a disadvantage right now. If we don't start this discussion, we won't be able to solve the problem.

What do you think of all that?

[English]

**Mr. Jack Chaffe:** Yes, we've been in those discussions with Europe, and part of the problem is that if we change some of our processing here in Canada—the guidelines and regulations—then it could force us out of some of the other markets in the world. With the CETA agreement, that trade agreement was actually devastating to the beef industry.

As a producer, I feel that the beef industry was a sacrificial lamb in that trade deal. It's been of no benefit to us, but to break through and get some exports into Europe, at this time, it seems like we keep running up against a brick wall. Just circling back, trying to change our regulations and processing to meet their standards could force us out of other markets, which we don't want.

• (1725)

[Translation]

**Mr. Yves Perron:** I'm not saying we have to change that necessarily, but we have to get the discussion going. There are still benefits associated with your production, even in terms of environmental impact. Maintaining grasslands matters, as do the changes you make to livestock feed. These things need to be measured and encouraged.

Mr. Petelle, I know we don't always agree, but I'm sure we will on this point. When I see products coming into the country grown using crop protection products that are banned here, it bothers me. That needs to be fixed. How do you do that?

Would it be possible to launch discussions at the WTO on this? Obviously, these would be long-term discussions.

What are your thoughts on that?

**Mr. Pierre Petelle:** I'll start, and then I'll turn it over to my colleague.

**Mr. Yves Perron:** Okay, Ms. Bergeron can chime in as well.

[English]

**Mr. Pierre Petelle:** I'll answer in English, just so I don't misspeak. The issue with this reciprocity in the example I was giving is that Europe wants us to only use products that are approved in—

[Translation]

Can you hear me?

**Mr. Yves Perron:** I'm sorry, but the sound keeps going down. It's a new machine and we have to get used to it.

I'm listening.

[English]

**Mr. Pierre Petelle:** If Canada were to take that same approach, that we shouldn't import products that are grown using crop protection products that we don't allow here, then Europe could do the same thing and not allow us to use products that it has banned in

Europe, and then Japan.... Therefore, you see the point that after a while, you end up with very few products that can ever be used.

The growing conditions in Mexico are very different from those here, so that same carrot has very different pest pressures in Mexico from those here. Maybe they need additional insecticides registered or maybe there are disease pressures and stuff that we don't have in Canada, so they need those tools that maybe we can do without.

That's just one example, but the growing conditions and the pest pressures are very different globally, and we can't put one approach across countries.

I don't know if Ms. Bergeron has anything to add.

[Translation]

**Ms. Émilie Bergeron:** I think Mr. Petelle answered the question well.

One of the solutions is to give our producers the tools they need to be competitive. To do that, we need a Canadian pesticide regulatory system that is predictable, that is based on science and that makes it possible to make timely decisions in order to put these tools in the hands of producers.

We also recommend the use of international standards that facilitate international trade and give our producers access to foreign markets, such as the United States, Mexico and other countries around the world, and vice versa.

We also need to harmonize regulations so that producers around the world have access to the same products that are safe and allow them to be competitive and innovative.

**The Chair:** Mr. Perron, your time is up. Thank you very much.

Mr. MacGregor, you have the floor for six minutes.

[English]

**Mr. Alistair MacGregor:** Thank you very much, Mr. Chair.

Welcome to all of the witnesses. Thank you for being here today.

I'll turn to my friends from the Canadian Cattle Association first.

In the previous hour, we had a number of people who were experts in economics talking about the challenges that exist. It is a bit of a hypothetical area. One witness was quite sure that the European Union is nowhere near putting in a carbon border adjustment. I wanted to flip it. I was trying to turn the conversation towards how we measure the good that agriculture is doing. Certainly, we suffer from a lack of data, even just within Canada. I'm sure that problem is magnified several-fold when you're comparing international jurisdictions.

The Canadian Cattle Association set out some very ambitious goals. I think you've had some great partnerships with organizations like the Nature Conservancy of Canada. Also, you have shown how Canada's Prairies were great because of a symbiotic relationship with large herbivores. In fact, the grasslands suffered as soon as you started removing that. Cattle are now compensating for this traditional role that existed for thousands of years. You are identifying that data. You've set up your ambitious goals about how much carbon you want to sequester and so on.

Can you talk a little about the challenge that exists when comparing international jurisdictions? Let's take Brazil as an example. We know cattle farming in Brazil has, in many cases, come at the expense of the Amazon rainforest. In a jurisdiction like Brazil—if you were to put it on a par with Canada—would they have to measure the loss of carbon sequestration that came from the removal of forest to turn it into grassland?

Have you had conversations with international cattle organizations on how you might be able to set some kind of basic, commonly understood baseline?

• (1730)

**Ms. Jennifer Babcock:** I'll start, and Jack will fill in here. It's too bad we don't have our scientists along with us.

Within the cattle sector globally—even within Canada—it's so diverse. Each landscape has its own benefits, challenges and opportunities. Those conversations are not happening at my level. There may be scientists talking among countries and looking into those pieces.

However, in Canada, what we've looked at is getting the data we need to do our measurements. We have the national beef sustainability assessment. That's what we're working on to track our 2030 goals as well. We've worked on data and with government and industry partners, but there's so much that's still missing. There are a lot of benefits that cattle bring in Canada that we are not able to capture at this moment in order to showcase how positive we are for the environment.

One of the challenges, when we start talking about border carbon adjustments, is this: When you look with such tunnel vision at one specific piece, you miss the whole picture regarding all the biodiversity and species at risk that come and live on the lands with the cattle. Look at the grasslands. When you talk about ecosystems globally, the native prairie grassland is one of the most endangered ecosystems in the world. Cattle are preserving that land. Then there's carbon sequestration. As Jack mentioned in his remarks, we are looking at further greenhouse gas emissions intensity reduction.

We're doing all of these things. How do we make sure these are captured on the benefit side of it?

**Mr. Alistair MacGregor:** With the ambitious goals you've set up for yourselves.... I know that consumers are increasingly starting to pay attention to how their food was produced. Do you think that still lends you a competitive advantage, or is it another challenge to overcome?

Are you showcasing that sustainability? Do you think that gives you an advantage over your competitors because consumers are increasingly looking for that in the products they're buying?

**Mr. Jack Chaffe:** I'll add in there.

Through our Canadian Roundtable for Sustainable Beef, we're seen as world leaders in that on the global stage. They look to us to see what we're doing.

I'll go back to the grasslands, especially the native grasslands in western Canada. Part of the reason we've lost some of those is the inequality of government policies on the money available for different crop productions compared to livestock—I'll be quite blunt—like crop insurance. That's one reason we've lost a lot of grasslands. It's easy to break that land and grow a crop. If you don't get a crop, you have crop insurance, which is totally different from livestock production.

**Mr. Alistair MacGregor:** Just very quickly, you did talk about Bill C-59 and unintended consequences.

I know the Competition Bureau is trying to sort out some kind of an interpretation guideline. We will ultimately want to make a recommendation.

How is that going? Is there anything our committee can recommend to further that process for you?

• (1735)

**Ms. Jennifer Babcock:** We've requested to meet further with the Competition Bureau on this to provide some of our perspectives.

One aspect that should be considered by the committee and others is.... What the legislation seeks to do is.... Anyone can bring forward a complaint, but what if a certain group wants to keep bringing forward complaints? What's the penalty for doing that, with the amount of work that goes into having to defend it?

That's an aspect that has not really been discussed yet that we'd like to be included in the conversation moving forward.

**The Chair:** Thank you. We're at time.

We'll now turn to the honourable member for Regina—Lewvan.

**Mr. Warren Steinley:** Thank you very much, Mr. Chair, and thanks for that introduction.

We had a report that came out last fall about agriculture and climate change mitigation at Agriculture and Agri-Food Canada. It's an independent auditor's report from 2024.

When we're having this hypothetical conversation around carbon border adjustments, one thing I always wonder is what our benchmark is. Where does our dataset start? What are we trying to go down from?

Right in the overall message on the first page it says, “Despite this, the department had yet to develop a strategy for how it would contribute to Canada’s 2030 and 2050 greenhouse gas mitigation and sequestration goals. In the absence of [any] strategy, we found that the department had undertaken extensive science-based [due diligence].” We really don’t have a mitigation strategy in the Department of Agriculture from the Government of Canada.

Mr. Petelle, you said it very well: The road to hell is paved with good intentions.

I am asking all the witnesses. Can you unpack some of those good intentions that have resulted in some of these non-tariff trade barriers, which I think is the same road we would go down if we go to a carbon border adjustment?

I will start with Mr. Petelle.

Give some of the examples of what we’ve done with good intentions that have resulted in not being able to do some trading with some of our key partners.

**Mr. Pierre Petelle:** There are plenty of examples of specific cases where products have been stopped at the border for a residue, a canola seed or a weed seed that wasn’t really there. We’ve seen many examples of barriers being thrown up.

For us, it’s the more fundamental things. It’s the institutionalizing of basically non-tariff barriers. It’s things like the deforestation approach in Europe or the mirror clause that my colleague described. Those are things that would now be embedded in their way of doing business that would basically throw up barriers to any exporter. That’s what’s more of a concern.

We feel that Canada can play a leadership role globally in terms of enforcing those rules-based trading systems that we’ve all adhered to and signed on to, and really push that agenda forward.

**Mr. Warren Steinley:** Turning to the CCA, would you be able to add some of the issues you’ve seen through good intentions that have resulted in our having a lack of ability to get some of our world-class beef around to some of the markets?

**Ms. Jennifer Babcock:** Yes. I could probably think of many more if you gave me a few hours here, but just quickly, one of the first things that come to mind is the CPTPP. It’s a very progressive trade agreement. It has been quite positive for the Canadian beef sector. When we lost market for non-tariff reasons, we didn’t skip a beat, because we had the CPTPP and access to other trading partners. When we saw the announcement of the accession of the U.K. to the CPTPP and the non-tariff barriers that came along with that, it was very disappointing and frustrating for our sector. From what we’ve seen in some of the discussions we’ve had already on the non-tariff barriers with the EU that we’re facing, the U.K. have now taken those as well.

**Mr. Warren Steinley:** I think you answered this before, but how much beef have we exported to the EU in the last little while?

**Ms. Jennifer Babcock:** There’s been very little to the EU. To the U.K., we’ve exported zero dollars—

**Mr. Warren Steinley:** To the EU as a whole—

**Ms. Jennifer Babcock:** —and they are importing into Canada.

**Mr. Warren Steinley:** Okay. Thank you.

There’s another issue that I think will raise concerns and make it even more difficult for our producers who’ve been hit by several government policies that have been difficult. Would you have a number on what the carbon tax costs a producer per calf?

• (1740)

**Ms. Jennifer Babcock:** Yes. Jack has that.

**Mr. Jack Chaffe:** On a feedlot animal, we’re at \$147 a head. On a cow-calf operation, it’s about \$84 per animal.

**Mr. Warren Steinley:** That’s straight out of the pocket of the farmer.

**Mr. Jack Chaffe:** Yes. A lot of that is hidden costs. For example, I buy wet distillers from an ethanol plant. It has to be trucked in. That carbon tax is hidden in that trucking cost coming in, so it isn’t a line item.

**Mr. Warren Steinley:** Do you think the carbon rebate would cover that?

**Mr. Jack Chaffe:** No.

**Mr. Warren Steinley:** Mark, I’ll ask you the same question about some of the non-tariff barriers—

**The Chair:** Mr. Steinley, we’re at time, unfortunately. I gave you an extra 15 seconds. I’ve already been charitable.

**Mr. Warren Steinley:** I’m sorry, Mark. It was good to see you again.

**The Chair:** I’m sorry, Mark, but you can certainly provide that to the committee in writing, as you know, or you might get another question on it here.

I’ll start with you, Ms. Murray, if you’d like to start, or Mr. Louis. I think you guys are splitting the time.

Go ahead, Mr. Louis.

**Mr. Tim Louis (Kitchener—Conestoga, Lib.):** Thank you, Chair. I’ll be splitting my time with Ms. Murray.

Thank you to the witnesses. I appreciate everyone being here.

I'll sum this up by saying that we're striving for predictability in a very unpredictable world. We need to stay in front of working toward sustainable development in agriculture to keep feeding our families and to help feed the world. What we're hearing is that we have one of the most sustainable agriculture sectors in the world. We have to keep moving forward on that. Other countries now are stepping up. We need to keep that competitive edge, which will help our farmers and help the environment as well.

I'll start with the Canadian Cattle Association. In Kitchener—Conestoga, not far from you, cattle farms make up about 35% of the farms. That's a significant part of agriculture in the riding. Farmers in Kitchener—Conestoga and throughout Canada are working hard to boost productivity and to do it in a sustainable way. That sustainability has economic benefits, I believe you said, sir. We're seen as world leaders in that case.

How important is emission reduction and carbon sequestration in distinguishing Canadian beef from international competitors? How can we leverage those benefits?

**Mr. Jack Chaffe:** As a national beef organization, we want to be recognized as leaders. We want to base our decisions on science-based decisions, whether it's production or trade. We're trying to position ourselves as a solution to climate change.

**Mr. Tim Louis:** I forgot to hit the start button here, so I'm not sure how much time I have left. I'll just direct one question to each person.

To Mr. Walker from Cereals Canada, all levels of government need to support the ways in which our agriculture sector can be sustainable and resilient at the same time. Can you tell us how Cereals Canada is addressing sustainability within the cereal grains sector? Also, can you say how you're helping your members navigate the complexities of a global trade environment?

**Mr. Mark Walker:** Thank you for the question.

In response, look, we know we're lower-carbon than our international competitors. We know we sequester more carbon, additionally, than our international competitors. We do compete internationally. That is part of our competitive advantage, and we're very proud of that. However, because we export more than 70% of our crop each year—perhaps I'll align a little bit with the study at the committee, if I could—we won't be able to realize the benefits of a CBA, or potential benefits of a CBA, when exporting to a country that does not have a price on carbon.

**Mr. Tim Louis:** Thank you, Mr. Chair.

I'll share my time with Ms. Murray.

**Hon. Joyce Murray (Vancouver Quadra, Lib.):** Thank you to all of the witnesses for being here today.

To start, I have one specific question for Mr. Chaffe from the Canadian Cattle Association. You mentioned the 2030 goals for improving sustainability. Could you share with us what the goal is for reducing methane and how much reduction has happened to date since you set that goal?

**Mr. Jack Chaffe:** I don't have the exact number on our reduction, but a lot of that comes through research and the importance of research in developing new products for productivity, especially in

the feedlot industry. The more efficient we are on the performance of those animals, the less greenhouse gas will be emitted.

● (1745)

**Hon. Joyce Murray:** I think it also ties into the emissions of methane from the cattle as opposed to from the product development. I mean, if you do have that information of how much methane reduction has happened, you could send it to the committee in writing afterwards.

**Ms. Jennifer Babcock:** If I could add something.... The methane is part of our greenhouse gas emissions intensity reduction. Our goal is a 33% further reduction. We just released our national beef assessment in January—I'm happy to send that to the committee—which shows that we are tracking towards our goals to meet or surpass our goals.

**Hon. Joyce Murray:** Are you tracking methane as well?

**Ms. Jennifer Babcock:** Within that, we are, yes.

**Hon. Joyce Murray:** That's great. Thank you.

One of our guests—I think it was Mr. Walker—said that he would request that the government not move forward with a CBA policy. I think the whole point of what we're doing here is not that the government is moving forward with a border adjustment policy. It's whether, should that be applied by other countries that implicate Canada, we will be ready to respond.

I'm interested in each of the witnesses giving us their thoughts about what the top two things are that Canada could and should do to be prepared in the case that there might be a border adjustment policy, a carbon border adjustment, applied by other countries on our products.

**The Chair:** We are at time, so this is going to be quick hits like Coke or Pepsi-type stuff.

I'm going to start with you, Pierre.

**Mr. Pierre Petelle:** I would say that data is king, so we need more data. I would also say that it's holding other jurisdictions to account on some of the things that I've mentioned previously.

**Mr. Jack Chaffe:** I would just add, like I said before, science-based decisions. They have to be based on the science.

**Mr. Mark Walker:** I apologize for the confusion, Mr. Chair.

In my remarks, I highlighted that they not move forward until the administrative and economic impacts have been properly and comprehensively studied. Those would be my two asks.

Thank you.

**The Chair:** We're at time, but we're going to go to Monsieur Perron, please.

[*Translation*]

**Mr. Yves Perron:** Mr. Petelle and Ms. Bergeron, I'd like to ask you a question, and then I'll have another question for the three organizations. I would ask you to be brief in answering.

The question I was going to ask earlier concerns product registration. The lack of equivalency bothers me, as I said.

Do you think it's possible to collaborate with countries like the European countries and the United States to pool our expertise? For example, we could do part of the evaluation here and another part in the United States to have a common perspective.

Would that make sense?

[*English*]

**Mr. Pierre Petelle:** We've actually done a lot in regulatory harmonization globally on pesticides through the OECD. There's an OECD working group on pesticides, where the data requirements and the standards of risk have all been pretty well harmonized across the OECD countries. There's been tremendous work.

There's also been direct joint-review work done with the U.S. and Canada in particular, where they're sharing the review so that the standards and the approaches are the same. We'd like to see that continued and amplified, but there has been a lot of work done in those areas already, more so in pesticides than probably any other regulated sector.

[*Translation*]

**Mr. Yves Perron:** Thank you. So it is possible.

My other question is about Bill C-59, and it's for the representatives of the three organizations.

You've all raised concerns about the bill. I haven't analyzed your concerns in detail, but, as I understand it, it's a matter of avoiding greenwashing, if I may put it that way, that is to say preventing unsubstantiated claims.

I, for one, have confidence in you. I think you will be able to prove your claims about your products. Why shy away from talking about the improved environmental stewardship of your products, when those claims are based on facts and you spend your time talking about the importance of relying on science?

Please be brief in your answers, as I only have 40 seconds left.

**Mr. Pierre Petelle:** As you know, groups are protesting against our products, even though they are well regulated.

Our concern is that these groups will use this as a way to put pressure on people to talk about it in the media and to maintain the controversy, not to have any real success.

[*English*]

**Ms. Jennifer Babcock:** I'd go with what Pierre said.

Additionally, how the standards are chosen is really important, and how countries choose to measure. For our goals that we've set and our claims that we have within the Canadian beef sector, we

stand 100% behind that. They are based in science. There are different measurements internationally on how to track these measurements, from emissions to carbon sequestration, etc. We need to ensure there's some alignment there.

• (1750)

[*Translation*]

**Mr. Yves Perron:** Mr. Walker, what do you think?

[*English*]

**Mr. Mark Walker:** Thank you.

In response to your question, there are two parts.

First, there's a reverse onus placed on the organization making the claim when the claim is questioned by an external group.

Second, as my colleague Ms. Babcock mentioned, there is a lack of clarity from the Competition Bureau right now as to what a benchmark to an international standard actually means. We're requesting that clarity, but absent that clarity, we simply can't move forward.

**The Chair:** Next is Alistair MacGregor.

**Mr. Alistair MacGregor:** Thank you, Mr. Chair.

Mr. Walker, maybe I'll pick up right where you left off.

I've been at this committee long enough to know and to have witnessed the data that agriculture in Canada uses to back up its claims. We've seen it, and I think there is a very high degree of confidence around this table that, in Canadian agriculture, you are indeed leaders in sustainability. You have done the work.

I understand the unintended consequences. I do think that Canadian consumers want industrial and agricultural sectors largely to have their claims backed up, and I understand that you have some concerns about that. I think that, in the United States, the Federal Trade Commission also has a few rules.

Does any of that apply to agriculture? When you are making claims to United States consumers about the sustainability of Canadian cereals, are there any things that you have to pay attention to in the United States marketplace? Also, is there anything else that you want to add about what you'd like to see this committee recommend in terms of how the Competition Bureau is handling this?

**Mr. Mark Walker:** That's quite the question.

There are already provisions within the Competition Act addressing components of what you just noted. Beyond the general redundancies that exist with the passage of Bill C-59, I would simply reiterate our existing concerns in addition to its redundancies.

However, when it comes to the U.S., of course there are regulations regarding claims there that must be appropriately measured. We do see a number of countries globally regulating front-of-package labelling and different claims that are made, and those are benchmarked to international standards.

Again, it's not that anyone at this committee is concerned about the attestation or verifiability. It's simply the lack of clarity within the proposed legislation and within past legislation. We're simply requesting that clarity.

**The Chair:** Just quickly, for the CCA and Cereals Canada, you talked glowingly—and I think we all agree we're proud—of the work you've done on environmental sustainability or the carbon intensity on a product basis.

I fully agree, actually, that CBAM and those types of mechanisms are going to be too complex to ever be able to move in that direction. We do want to have open trading markets, but my open question to you is this: Is there any mechanism that we can eventually reward Canadian environmental stewardship with and build that into the trading economy?

Radio silence, Mr. Walker...?

**Mr. Mark Walker:** You have my apologies, Mr. Chair. I was unclear as to whom the question was being posed.

I think the more that regulations can help pave the way for exports, the happier we are. I'm really looking to government as a partner in that exercise and, as I mentioned, in just making sure that any proposals here are properly studied from an economic and administrative standpoint.

**The Chair:** I think it's the actual heart of the study right now, and it's complex because we want to have open trading markets. We're expecting industry to be part of the solution and to work with

them, but there's a balance to how long you can do that without having it accounted for at some point. I think that's actually the core of what we're looking at.

Is there anything just quickly or...?

**Mr. Jack Chaffe:** The only thing I would add is that with provinces on different... Some provinces have a carbon tax. Some don't. Some have exemptions or carbon credits. It's really going to be difficult to bring the whole nation under one umbrella to develop something. It's going to be really complex unless everybody's on the same page.

**The Chair:** That might be the title of the study. It's complex.

Mr. Petelle, you know where I stand on opening up and allowing for more information to be shared on the expansion of farm tools, but you wanted to weigh in quickly.

You have 30 seconds.

**Mr. Pierre Petelle:** I think the customer will always have a say. Canadian quality is second to none, so even if you don't have the other metrics that we may be looking for, we compete well on quality.

● (1755)

**The Chair:** Thank you, colleagues.

I have a budget here, and you are going to approve it. That's for this study, and I'm seeing no issues.

**Some hon. members:** Agreed.

**The Chair:** We'll see you on Thursday. Mr. Barlow will be in the chair, and, if necessary, with an assist from our good friend from the Bloc.





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