

## **Manitoba Beef Producers' Carbon Pricing Policy**

March 15, 2017

### **Background**

Action on climate change is taking place at the global, national and provincial levels.

At the global level, on December 2015 at the Paris COP21 Conference the Government of Canada supported The Paris Agreement to reduce global greenhouse gas (GHG) emissions. Key to this was an agreement among 195 nations to keep the global temperature increase below 2 degrees Celsius. To come into force, 55 countries accounting for 55 per cent of global GHG emissions had to ratify the Agreement. Canada ratified the Paris Agreement on October 5, 2016. The Agreement came into effect November 4, 2016. By December 2016, 122 nations had ratified the agreement.

At the federal level, on March 3, 2016, Canada's First Ministers agreed to the Vancouver Declaration, setting an ambitious course for climate action in Canada. Key to this, it was agreed to implement GHG mitigation policies in support of meeting or exceeding Canada's 2030 target of a 30% reduction below 2005 levels of emissions, including specific provincial and territorial targets and objectives. The First Ministers also agreed to several other actions, including: promoting clean economic growth to create jobs; delivering mitigation actions to reduce GHG emissions, including transitioning to a low carbon economy by adopting measures like carbon pricing mechanisms; increasing action on adaptation and climate resilience; and, enhancing cooperation. Notably, the First Ministers agreed to meet in fall 2016 to finalize the pan-Canadian framework on clean growth and climate change.

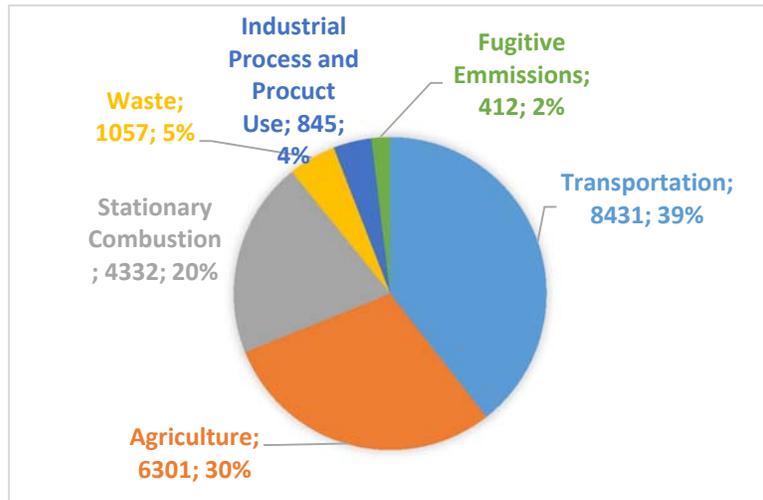
At the October 2016 meeting of the Canadian Council of Ministers of the Environment the federal government announced its intent to price carbon pollution and establish a "pan-Canadian benchmark" for carbon pricing. The federal government has mandated all provinces will have carbon pricing by 2018, but has allowed provinces to determine if a carbon price (tax) or a cap-and-trade model is preferred. The federal government said the price on carbon pollution should start at a minimum of \$10 per tonne in 2018 and rise by \$10 a year to reach \$50 per tonne in 2022. It has also stated that revenues generated from carbon pricing is to stay with the provinces and territories of origin to use as they see fit. Put in context, \$30 per tonne is equal to (about): 6.7 cents per litre gasoline, 8.0 cents per litre diesel, \$1.52 per GJ natural gas and 4.6 cents per litre propane.

At the provincial level, Manitoba Premier Brian Pallister has ruled out using a cap-and-trade system. The government is evaluating what carbon pricing would look like in Manitoba. The province has indicated that its made-in-Manitoba Climate and Green Plan should include land use and conservation measures to sequester carbon and foster adaptation to climate change.

On December 9, 2016, following another First Ministers meeting, the Pan-Canadian Framework on Clean Growth and Climate Change was adopted by most, but not all provinces. Manitoba and Saskatchewan did not sign. While re-affirming his government's commitment to act on climate change via a made-in-Manitoba plan "which will reflect our specific environmental circumstances and meet our province's economic needs" Premier Pallister stopped short of endorsing the Framework.

A number of provinces already have already introduced their own carbon pricing regimes, namely British Columbia and Alberta with carbon tax/levy systems, and Ontario and Quebec with cap-and-trade systems. These provinces made decisions on which model to choose based on what was the best fit for their economy.

Manitoba contributes approximately 3% of Canada's GHG emissions. While this is a small amount proportionally, within Manitoba agriculture is a major source of GHGs emissions, contributing approximately 30% of Manitoba's total emissions. Relatively speaking, on a "per acre" or "per animal" basis, Manitoba's agriculture sector contributes at a rate similar to other provinces, but with Manitoba's abundance of hydro-electric power and lack of large industrial emitters, the agriculture



sector becomes a significant portion of the province's overall carbon pollution. Manitoba's transportation sector accounts for 39% of GHG emissions, aspects of which are related to agricultural production. And, the production of fertilizer by Koch in Brandon is the source of about 3% of the emissions.

The national cattle industry only contributes approximately 3.2% of Canada's GHG footprint. Manitoba is only about 10% of Canada's cattle herd and is dominated by cow-calf operations which are the least intensive models of cattle production. Of the industry's carbon footprint, approximately 70% is as a result of methane production as a by-product of the animals' normal digestive processes. Furthermore, the extensive use of pasture and grasslands provides significant carbon sequestration. If valued at only \$15/tonne it is estimated that the carbon stored in Canada's prairie grasslands would be valued at \$4.3 billion.

Approximately 75% of Manitoba's cattle sector is comprised of cow-calf operations, many of which use extensive grazing systems. These producers rely on pasture grazing and feeding grass for as much of the year as possible, only bringing cattle into their yards for feeding once snow has covered grazing areas. Increasingly evolving production practices and innovation are working to extend grazing into and through the winter, making the cattle industry in Manitoba more extensive. New grazing strategies are allowing cattle to remain on the pastures virtually all year. Additionally, the cattle sector in Manitoba is reliant on pastures and grasslands that are significant carbon sinks, sequestering carbon for significantly longer each year than the annual-crop growing season. With proper grazing strategies, wetlands are protected. Pastures benefit from manure being left behind as a natural fertilizer, reducing the cattle industry's reliance on the application of manufactured fertilizer.

## **Key Manitoba Beef Producers Positions and Recommendations**

Manitoba's beef producers are key stewards of the province's natural capital, long seen as protectors of the environment, including grasslands, wetlands, and species at risk and their habitats. In managing thousands of acres of privately-owned and Crown lands, Manitoba's beef producers provide valuable ecosystem services that benefit larger society, including helping to build resilience against events such as flooding and droughts.

Cattle producers are producing beef in an environmentally sustainable manner, and have already reduced the industry's carbon footprint by 15% over the past 30 years. Beef producers have a great history in terms of protecting the environment and look forward to participating as part of the solution going forward.

In terms of responding to the Pan-Canadian Framework on Clean Growth and Climate Change, the federal government's commitment to carbon pricing, and the provincial government's development of a made-in-Manitoba Climate and Green Plan, Manitoba Beef Producers (MBP) offers the following positions and recommendations:

1. **Exempt on-farm agricultural emissions from any price on carbon.**

Agricultural producers are pure price takers. They have no ability to pass through any additional costs they incur and are completely vulnerable to having other industries pass down their additional costs to the farm. Input suppliers such as fertilizer, fuel, chemical, seed and equipment dealers who incur additional costs under any type of carbon pricing regime will simply pass through the added costs to the producer. This will result in a piling-on scenario for producers. Furthermore, purchasers of Manitoba cattle and beef who incur their own carbon price costs will have the ability to discount their purchase price to help offset their added costs, making it impossible for cattle producers to pass through the added cost of a carbon pricing regime. The net result is that producers will pay the sum of all the additional costs from their suppliers as well as those of their customers, resulting in a significant loss of competitiveness and there is also the potential to drive already slim margins into losses. Manitoba's cattle producers should be protected from these added costs and should be exempted from paying any carbon prices on all their agricultural inputs.

It is also MBP's position that made-in-Manitoba carbon pricing initiatives should not be punitive to the agriculture sector with respect to placing it at a competitive disadvantage with other jurisdictions, both within and outside Canada.

2. **Recognize agriculture for the greenhouse gas (GHG) reduction benefits it provides.**

Manitoba's beef producers are the stewards of significant amounts of seeded pastures and grasslands, including both privately-held and Crown lands. These lands offer major environmental benefits in terms of GHG emissions reductions. These lands sequester carbon from the air, and do so for a longer season than annually-cropped acres. If governments are enacting policies to have those responsible for emitting carbon pay for emissions, it only makes sense that they should also recognize and provide credit to those sectors that are removing carbon from the air and returning it into the soil. The Manitoba government has indicated it is exploring an Alternate Land Use Services-type program. MBP is requesting a fulsome discussion of incentive-based, voluntary ecosystem service programs, including potential payment for ecological services provided by producers. Cattle producers need to be compensated for any measurable increase in carbon sequestration that occurs as a result of their management practices.

As well, cattle producers use many beneficial management practices to protect wetlands and water quality, to enhance habitats for species at risk, to minimize the use of manufactured fertilizers and to improve carbon sequestration. MBP believes that government investments in beneficial management practice programs provide considerable environmental benefits, help create a more resilient landscape and should be continued.

3. Investment in research to further reduce GHG emissions through improved forage varieties and grazing strategies.

Over the past 30 years, producers have reduced GHG emissions from the cattle industry by over 15% while at the same time using fewer resources, according to the project “*Defining the Environmental Footprint of Canadian Beef Production*” which included research by University of Manitoba professors. Many of these gains have been achieved through investments in research and innovation that have led to improved production practices that has allowed for the same amount of beef to be produced using fewer resources.

It is recommended that revenue generated by a carbon pricing regime be reinvested into research and technology transfer related to mitigating GHG emissions from agricultural production. Investments in research related to new forage varieties and forage quality, feed additives, animal genetics and animal health, and on-farm practices will provide benefits in terms of reducing agriculture’s environmental footprint. For example, the main source of the cattle industry’s GHG emissions (approximately 70%) is methane produced as part of normal digestion. Continued investments in research to reduce methane emissions through better feeding options and feed sources should provide dividends related to reducing GHG emissions.

It will be essential that revenues generated from any carbon pricing from the agriculture sector be reinvested into funding of the existing Beef Science Cluster and to infrastructure and capacity at Agriculture and Agri-Food Canada and research institutions.

Additionally, investments in made-in-Manitoba applied research and technology transfer will be critical going forward. Some of this can be achieved through investments in the multi-stakeholder Manitoba Beef & Forage Initiatives.

It is critical that the investments in research from revenues generated through carbon pricing be autonomous and transparent. It is essential that these investments be incremental to existing investments by the provincial and federal governments, and not be allowed to reduce other commitments already in place to support the agriculture sector. These investments should be held in a unique fund and held apart from other funding commitments.

4. Invest in initiatives and tools to enhance producer resilience related to climate change and severe weather.

Producers are typically the first ones impacted by severe weather. Manitoba’s beef industry has been particularly hard hit by different kinds of emergencies, including repeated natural disasters. The consequences of these events, coupled in some cases with limited recovery strategies, has been a substantial downsizing of Manitoba’s beef industry both in terms of the number of active producers and the size of the provincial beef herd. To achieve the Manitoba government’s stated objective of growing the herd to pre-BSE levels producers need confidence that the infrastructure and tools will be in place to help reduce future risks to the operations.

Consideration must be given to investing some of the revenue generated through carbon pricing initiatives to water management infrastructure that will help build resiliency against the effects of climate change. This could include investments in water-related infrastructure in areas such as flood mitigation and storage, protecting wetlands or preparing for potential droughts. Completion of the Lake Manitoba and Lake St. Martin outlet channels project must remain a priority.

Further, it is essential that there are robust business risk management tools available to producers, for both crops and forages. Ongoing support for the Environmental Farm Plan Program and the cost-sharing of the adoption of beneficial management practices are also key.

Producers generally shoulder the costs of the multi-year disaster recovery process alone and this exacts an economic and production toll on their operations. In the event disasters do occur, there must be a true national disaster response program as AgriRecovery has not been as responsive as needed.

5. Ensure trade competitiveness is maintained by aligning implementation of any additional costs with those of our major trading partners.

Agriculture in Canada and Manitoba is heavily dependent on trade. The cattle industry exports approximately 40% of its national production, with about three quarters of that going to the United States. Over the past few decades, virtually all of Manitoba's beef production has been exported from the province. Historically this has been mostly exported as live animals given the lack of federal processing capacity.

Adding more costs to producing cattle in Manitoba by enacting a provincial carbon pricing regime, and not aligning the regime with other provinces and territories and our major trading partners will create an uneven playing field and reduce the sector's competitiveness. Important is not only the coming-into-force date of carbon pricing, but also the design and implementation of any such regime. It is important that any carbon pricing regime not come into force ahead of implementation dates in other jurisdictions so as not to hurt our exports. It is essential that the design of the regime not create competitive disadvantages for our producers. It will be important that exemptions and credits as well as any costs be aligned so as not to cause any market distortions, both between Canada and its trading partners, but also between provinces and territories.

6. Enact policies to encourage agricultural lands remain as (or are returned to) pasture and grasslands supporting Manitoba's cattle industry.

Manitoba's cattle industry has been under pressure for many years, with a steady erosion of production acres. In Manitoba productive acres have been lost to persistent flooding and to annual cropping. Across western Canada prairie grasslands have also been disappearing. Having cattle on the landscape protects these acres as natural grasslands, seeded pastures or forages, and provides ongoing carbon sequestration – reducing carbon in our environment.

Given the environmental benefits of natural grasslands and pastures, as part of any introduction of a carbon pricing regime the province must also consider policies and programs to encourage the restoration or maintenance of pastures and grasslands. These lands are essential to the cattle industry's growth but are also a critical part of the province being able to achieve its GHG emissions reduction targets. These lands are also key to efforts to

enhance habitats for species at risk and to protecting Manitoba's water resources, such as wetlands.

The loss of natural grasslands, pasture and forage acres to annual cropping reduces the ability for agriculture to be part of the solution, and policies and programs are required to encourage producers to consider retaining acres in pasture and forage production as opposed to in annual cropping.

As well, it will be important that as part of any carbon pricing regime, that the province also implement policies to protect Crown lands and community pastures, and to protect these lands as active agricultural acres. Initiatives such as the Association of Manitoba Community Pastures and its management of community pastures previously administered by the federal government are key.

### **Summary**

To the extent possible, it is Manitoba Beef Producers position that there should be complete transparency in the collection and the distribution of revenues from any carbon tax regime. This would include the tax being clearly identified at all points of sale and on all invoices to inform citizens and producers of the contributions being made towards the pan-Canadian benchmark and the Paris COP21 Conference targets.

MBP's 6-point policy on the implementation of any carbon pricing regime is as follows:

1. Exempt on-farm agricultural emissions;
2. Recognize agriculture for the GHG reduction benefits it provides;
3. Investments in research to further reduce GHG emissions through improved forage varieties and grazing strategies;
4. Invest in initiatives and tools to enhance producer resilience related to climate change and severe weather events;
5. Ensure trade competitiveness is maintained by aligning implementation of any additional costs and credits with those of our major trading partners; and
6. Enact policies to encourage that agricultural lands remain in (or are returned to) pasture and forage production and grasslands, thereby supporting Manitoba's cattle industry.

Manitoba's beef producers have an important and unique role to play in Manitoba's efforts to respond to the federal government's climate change commitments. Ensuring that beef production is profitable and sustainable is going to be key to achieving the greenhouse gas emissions reduction goals and other climate change adaptation objectives. In Manitoba cattle are raised largely on forage pastures and grasslands. It is these pastures and grasslands that hold the key to the carbon sequestration needed as part of the solution, as well as helping to preserve ecosystems and manage our water resources. A profitable beef industry in Manitoba is essential to protecting grasslands and pastures from encroachment from other uses, as well as to achieving other environmental and conservation objectives. Every effort needs to be made to protect the sustainability of Manitoba's beef production, both economically and environmentally if the province is to realize the objectives of reducing our carbon output.

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