



FERTILIZER CANADA
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PRE-BUDGET RECOMMENDATIONS

Government of Alberta

Submission by Fertilizer Canada

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Fertilizer Canada (formerly the Canadian Fertilizer Institute) represents manufacturers, wholesale and retail distributors of fertilizers. Our members are comprised of companies that produce nitrogen, phosphate, potash and sulphur products and promote the responsible, sustainable and safe production, distribution and use of fertilizers.

The fertilizer industry is a significant contributor to Alberta’s manufacturing economy with several facilities producing nitrogen fertilizer. Canada is a net exporter of fertilizer to nearly 80 countries and accounts for approximately 12 per cent of the world’s supply. Additionally, countless large and independent agri-retailers in the province support Alberta’s farmers, helping them feed Albertans, Canadians and the world. Our industry plays a critical role in diversifying the province’s economy, and has created more than 3,500 high skilled, highly paid manufacturing jobs.

To meet the growing global challenge of feeding more people on less land, the world needs healthy soil with the nutrients to support the growth of crops; fertilizer provides the means to achieve this and its important role will only continue to grow. Fertilizer accounts for roughly 50 per cent of the world’s food supply. To feed a projected population of nine billion people by 2050, food production will have to increase its per acre intensity by 70 per cent. It is important that the Government of Alberta position its agriculture economy to meet this challenge.

The Nitrogen Fertilizer Market

- Canada and Alberta are well placed to meet the growing demand for nitrogen fertilizer, exporting about 60 per cent of annual production.
- Natural gas is a primary input in nitrogen fertilizer. Ammonia is produced by chemically reacting natural gas with steam and air under carefully controlled conditions. Ammonia plants are highly sophisticated facilities with energy efficient operations.
- About six per cent of all natural gas consumed in Canada is used to make fertilizer.
- Typically natural gas accounts for 70 to 90 per cent of a nitrogen fertilizer facility’s input cost.

Recommendations

There are several key areas where the provincial government can support the continued growth of Alberta’s fertilizer industry:



1. Environmental Sustainability

Alberta's fertilizer industry is among the most energy and environmentally efficient in the world, having been early adopters of emissions reduction technologies and practices. We have continued these efforts by proactively working with federal and provincial governments to reduce emissions from fertilizer production and application.

However, science limits the ability of our industry to make further reductions in greenhouse gas emission levels at the point of production; a conclusion supported by a Natural Resources Canada-sponsored study.¹

In May 2015, the Government of Canada announced its intent to regulate emissions stemming from ammonia and nitric acid production. This announcement follows more than a decade of discussion with Environment Canada, and an outcome Fertilizer Canada believes will balance the need to protect the environment while ensuring Canada's fertilizer industry can continue its critical role in feeding the world. Negotiations with Environment Canada also recognize efficiencies in design and operation, and by using natural gas – the cleanest-burning fuel source – as a feedstock.

In Alberta, reduction targets under the *Specified Gas Emitters Regulations* are unachievable and do not recognize these early reductions. In order to comply, fertilizer manufacturers must purchase offset credits when available and/or make payments to the Climate Change Emissions Management Fund (CCEMF) which supports projects that are not cost effective for mature industries such as ours. As an energy-intensive, trade-exposed industry, it is critical to remain competitive, but instead this regulation has acted as an uncompetitive tax which will not result in further reductions.

To offset limited reductions during manufacturing, Fertilizer Canada and our members have been proactive in developing programs to reduce environmental impacts downstream by improving fertilizer application practices. 4R Nutrient Stewardship (Right Source @ Right Rate, Right Time, Right Place®) is a science-based, internationally-recognized program developed to ensure the economically efficient, environmentally sustainable and socially responsible use of fertilizer. The subsequent Nitrous Oxide Emission Reduction Protocol (NERP) was developed for Alberta's

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<http://www.nrcan.gc.ca/sites/oe.nrcan.gc.ca/files/files/pdf/industrial/ammonia-study.pdf>



greenhouse gas emissions reduction regime based on the concept of 4R Nutrient Stewardship to reduce on-farm emissions of nitrous oxide, allowing farmers to produce saleable carbon credits. Through the implementation of 4R Nutrient Stewardship, farmers can reduce their nitrous oxide emissions by 15 to 25 per cent (1-2 million tonnes in Western Canada) annually. New research suggests that these estimates could be doubled.

When industry and government work together to create efficiencies, more investment and jobs are created, and farmers and the environment benefit.

Recommendation: As the Government of Alberta considers changes to its greenhouse gas emissions reduction regime, Fertilizer Canada recommends a sector-specific system which balances the environmental performance and the economic realities of our industry, and encourages growth and investment in Alberta's critical value-added sectors.

2. Transporting Fertilizer to Farmers

Alberta's fertilizer industry has invested heavily in world-class production facilities, but in order to prosper, the railways need to be highly efficient and move large volumes into domestic, U.S. and offshore markets.

In Canada, the average rail haul distance for export fertilizers is about 2,000 km. And while most fertilizer facilities have adequate road access, an estimated 95 per cent of the industry's outbound rail shipments would not be able to be transferred to trucks because of factors such as large volumes of product and long distances, or specialized handling requirements.

Given these challenges, Canada also requires a regulatory framework that fosters and promotes rail competition that complements the highly consolidated nature of the rail sector. Over two-thirds of Fertilizer Canada member production is transported by Canada's railways, making fertilizers the third largest commodity customer group of Canadian National Railway (CN) and Canadian Pacific Railway (CP).

The *Canada Transportation Act*, currently under review by the federal government, must ensure that the transportation of key export products, such as fertilizers, through the country's transportation corridors can support economic growth and prosperity. This will require improved balancing of the commercial relationship, addressing accountability, ensuring the common carrier obligation is upheld, monitoring, data reporting of performance,



financial consequences addressing service performance, and effective dispute mechanisms; recommendations supported by the Government of Alberta's submission to the review panel.

Recommendation: The Government of Alberta must appeal for policies and regulations need to ensure that rail transportation remains competitive for Alberta's export-driven fertilizer industry.

The fertilizer industry remains competitive, but cannot afford to be complacent. The Government of Alberta must continue to strive for an operating environment that allows our industry to seize new global opportunities while continuing to support the province's diversified economy.

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