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Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

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Recommendations:

Recommendation 1: That the Federal government demonstrate its commitment to providing cleaner and healthier living conditions in Indigenous communities by funding \$100 million over a three-year period, beginning in the 2019-2020 fiscal year, for the conversion of over 15,000 residential, public and commercial buildings in Indigenous communities from diesel to low-emission propane.

Recommendation 2: That the Federal government commit itself to homeowners who wish to reduce both energy costs and greenhouse gases (GHGs) by switching from furnace oil to low-emission propane. This can be done through an investment of \$200 million in rebates over a three-year period, beginning in the 2019-2020 fiscal year, which would result in 80,000 homes being converted to cleaner-burning propane.

Recommendation 3: That over a three-year period beginning in the 2019–2020 fiscal year, the Federal Government commit up to \$125 million in tax credits (\$5,000 per commercial vehicle) towards the conversion of up to 25,000 commercial vehicles in Canada from traditional fossil fuels to propane.

Dear Mr. Chair,

On behalf of the members of the Canadian Propane Association (CPA) across Canada, I welcome the opportunity to submit our recommendations to your committee. The CPA is comprised of producers, wholesalers, transporters, manufacturers of appliances, equipment and cylinders (MACE) and retailers. Their combined contribution to the Canadian economy, measured based on the final value of Canadian propane sales, for 2016 was \$4 billion, supporting a significant level of economic activity across the country, including:

- close to \$3.5 billion in value-added gross domestic product (GDP)
- more than 17,000 jobs across Canada
- over \$900 million in municipal, provincial, and federal tax and royalty revenues

The theme of this year, **Economic Growth: Ensuring Canada's Competitiveness**, comes at very important time given both the challenges and the opportunities that are present in the Canadian economy today.

The CPA believes that being responsible to the environment, in combination with increased prosperity and competitiveness, can go hand-in-hand. In that regard, the propane industry checks all the boxes. In fact, our May 2018 study **Fueled Up: An Updated Overview and Outlook of Canada's Propane Market and Industry**, completed by Len Coad, Carlos A. Murillo and Greg Sutherland of the Industry Strategy and Public Policy Division: Energy, Environment, and Transportation Policy Section of The Conference Board of Canada, confirms that:

- *Canada's propane industry spans an extensive supply chain, from extraction to end-use. Markets for this versatile fuel are just as diverse.*
- *Propane production levels are expected to increase significantly in the coming years. Domestic demand will be supported by a nascent propane-based petrochemical industry, and exports will increasingly be diverted from U.S. to overseas markets.*
- *The industry's economic footprint extends across Canada's regions and sectors, supporting thousands of jobs and generating hundreds of millions of dollars in government revenues.*
- *Fuel-switching opportunities across various end-use sectors can have a significant impact on propane demand and sales, all while helping to reduce Canada's GHGs.*

Over the period 2017-25, Canadian propane supplies are expected to increase by more than 20%. Meanwhile, the demand side of the market will also change significantly in the coming years, driven by two key trends, including:

- *large increases in domestic demand for propane used as a petrochemical feedstock, and*
- *a continued westward shift in exports that will see a large portion of Canadian propane redirected to overseas LPG markets.*

With sales expected to expand favourably, it is expected that *"The contribution of Canada's propane industry to the Canadian economy will be, between 2017 and 2025, an annual average of \$4.4 billion (\$2016) worth of Canadian propane sales, estimated to support:*

- *close to \$4.4 billion in GDP across Canada per year*
- *close to 21,000 jobs annually across the economy*
- *close to \$1 billion per year in government revenues including indirect taxes, personal income taxes, corporate taxes, carbon taxes, royalties, and payroll taxes across Canada*

Propane is a readily available energy source with infrastructure already in place. From an environmental perspective, the expanded use of propane can reap immediate results in Canada's efforts to reduce GHG emissions.

Propane is a versatile, multi-purpose fuel that is highly portable, clean burning and non-toxic. In Canada, supply is abundant and an expansive infrastructure exists to make it readily available and competitively priced.

In the past, the propane industry has often been ignored by policymakers in favour of “clean” energy technologies that can take a considerable amount of time and money to fully implement. Despite its multiple applications, propane is almost exclusively associated with barbecues and providing energy at the cottage. **The reality is quite different.**

Mr. Chair, you and your colleagues will be familiar with many retail members of the CPA. They are an important fabric of the communities in which you live. They volunteer their time, donate to community projects, sponsor local sports teams and most importantly, create good paying local jobs.

Because many of our members operate family-run businesses in small towns across Canada, they understand first-hand the importance of fostering economic growth, increasing competitiveness, creating jobs and identifying business opportunities. They live it every day.

From the production side, our members are part of the diversification the Canadian economy imperatively needs, with exports increasingly being diverted from U.S. to overseas markets and a growing Canadian propane-based petrochemical industry.

The importance placed on reducing GHGs provides an opportunity for our members to continue to grow their businesses in Canada and around the world and to help fight climate change through the expansion of low-emission propane.

Recommendation 1: Building prosperous and healthy Indigenous communities

Developing a more healthy and prosperous society is important everywhere in Canada, particularly in Canada's Indigenous communities. Yet, many of these Indigenous communities continue to rely on diesel for heating and power generation. This presents a variety of environmental, economic, technical, and social challenges, including: air and noise pollution, the risks of fuel spills/leaks; high cost of energy, supply issues and capacity constraints.

Despite genuine efforts by governments of all political stripes, Indigenous communities continue to suffer increased exposure to unhealthy air due to the extensive reliance on diesel as a source of power generation.

If governments are serious about improving the air quality and *immediately* lowering the levels of carcinogenic pollutants, then low-emission propane must be part of that conversation.

The CPA believes that federal funding of \$100 million over a three-year period, beginning in the 2019-2020 fiscal year, for the conversion of over 15,000 residential, public and commercial buildings in Indigenous communities from diesel to low-emission propane represents a tremendous opportunity. It could help the government reach its GHG emission reduction targets while introducing a clean-burning, affordable and reliable fuel option for Indigenous communities.

From an economic development perspective, there are also partnership opportunities that could be developed between Indigenous communities and the propane industry that would see locally-owned and operated propane companies with a trained local labour force.

As a model for partnerships with Indigenous communities, the CPA fully supports the commitment as outlined in Section 92.1, of the Calls for Action of the *Truth and Reconciliation Commission of Canada*, which requires “meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects”. The CPA believes that is fundamental to mutually beneficial partnerships with Indigenous communities throughout Canada.

One of the key elements in developing partnerships between CPA members and Indigenous communities is the opportunity for training through the CPA’s Propane Training Institute, which can lead to permanent jobs that will be needed to support emerging local propane businesses. Our industry would be very interested in making training a fundamental part of its contribution to possible partnerships.

In that regard, the CPA is very mindful of Section 92.2 of the Calls for Action that calls on the corporate world to, “ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector, and that Aboriginal communities gain long-term sustainable benefits from economic development projects”.

CPA’s Propane Training Institute courses are recognized across Canada and have been designed to provide instruction on the safe handling of propane and propane-powered equipment. It works continuously with authorities, regulators, and specialists to ensure federal and local requirements are met, and certifies over 30,000 students annually.

Recommendation 2: Reducing both energy costs and GHGs by switching from furnace oil to low emission propane.

Reducing energy costs and reducing the carbon footprint remains a challenge in many rural communities. Currently, 9% of Canadians use oil for home heating (Statistics Canada).

A federal government investment of \$200 million in rebates over a three-year period for home owners would provide for a \$2,500 rebate for 80,000 homes to be converted from oil to clean-burning propane.

The development of a “Switch-off oil” program would significantly reduce GHG emissions for residential consumers and incent furnace upgrades ahead of typical furnace replacement schedules to reduce GHG emissions. It would also reduce barriers that currently limit rural participation in existing GHG emission programs. Most importantly, the switch from oil to propane will lower energy costs by up to 45%.

In terms of GHGs, over the three-year period, converting 80,000 homes from oil to propane would result in a total reduction of approximately 480,000 tonnes of CO₂. Going forward, the annual reduction of GHGs from those 80,000 homes would be about 240,000 tonnes of CO₂.

This approach would achieve two important objectives - it will put money back in people’s pockets and reduce GHGs.

Recommendation 3: Converting commercial fleet vehicles to low-emission propane

According to Environment and Climate Change Canada, in 2015, the transportation sector was the second largest source of GHG emissions, accounting for 24% (173 Mt CO₂ eq) of total national emissions. Emissions from passenger and freight travel amounted to 96% of these emissions, or 91 Mt CO₂ eq and 76 Mt CO₂ eq of transportation emissions, respectively. Because of its low emissions, propane can provide immediate reductions in GHGs and toxic substances, while reducing transportation costs.

Propane is a trusted automotive fuel worldwide. Globally over 25 million propane vehicles are on the road. In Canada, there are about 50,000 vehicles. Many students across Canada are transported in propane buses. The London Police force has been using propane in its cruisers since the 1980's. United Parcel Service and Canada Post use propane vehicles as part of their delivery fleets. Propane has the largest network of alternative fueling stations in Canada, with over 1,800 public stations.

Propane is an excellent fuel choice when you consider:

- The average Canadian price of propane can be around 40% less than gas or diesel.
- Propane vehicle conversions cost about 50% less than converting to natural gas.
- Propane refuelling station installation costs are about 95% less than natural gas.
- Propane emits up to 26% less GHGs than gasoline.
- Propane emits 98% less Particulate Matter (PM) than diesel-fuelled vehicles.

To support market transformation, the CPA believes that a \$5,000 federal tax credit per commercial vehicle will lead to more low-emission propane vehicles on Canada's roads and cleaner air for everyone.

Conclusion

The recommendations the CPA has submitted for consideration comprise just a fraction of what we believe can be accomplished immediately by the increased use of propane.

We hope the government is willing to look at propane fuel for what it is – an immediate solution to reduce GHGs while simultaneously maintaining and growing jobs in Canada.

Thank you for providing the CPA with an opportunity to put forward our recommendations that we believe will lead to a cleaner, more prosperous and competitive Canada. We look forward to sharing our thoughts directly with Finance Committee members during the hearings later this year.