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Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

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Canadian Propane Association

RECOMMENDATIONS

Recommendation 1: That the Federal government commit itself to homeowners, businesses, institutions, manufacturers, fishers and industries 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 2020-2021 fiscal year.

Recommendation 2: Despite its lower carbon footprint and wide agricultural use, propane does not qualify for the same exemptions as gasoline and diesel in the Greenhouse Gas Pollution Pricing Act (GGPPA). In that regard, the GGPPA reads more like a tax policy than an environment policy.

The GGPPA should be modified to ensure that low-emission propane receives the same exemptions as any other fuel used in agriculture. Also, exclusivity to farm machinery should be broadened in Section 18 (PART 7) to include farming activities such as fuel used for heating hatcheries, barns, etc. as eligible farming activities under the Act.

Recommendation 3: 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 2020-2021 fiscal year, for the conversion of over 15,000 residential, public and commercial buildings in Indigenous communities from diesel/furnace oil to low-emission propane.

Recommendation 4: That over a three-year period beginning in the 2020–2021 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 low-emission propane.

LETTER TO THE FINANCE COMMITTEE CHAIR

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.

From the perspective of the CPA, this year's theme, **Climate Emergency: The Required Transition to a Low Carbon Economy** speaks to the importance of acting now on fighting climate change while growing our economy.

Propane, a safe, affordable and reliable Canadian energy source, has often been ignored by policymakers in favour of other energy technologies that are heavily dependent on massive public investment and which can take a considerable amount of time to fully implement.

Propane offers immediate opportunities to reduce emissions and provides an affordable energy choice to Canadians.

A truly holistic approach to GHG reductions in Canada must include low-emission propane as part of the energy portfolio. Including propane now in policy and programming development to transition to a lower carbon intensity economy and meet the Paris targets will result in an immediate energy solution to reduce GHGs while maintaining and growing jobs in Canada.

Canadian-produced propane is perfect for applications as diverse as heating commercial and residential buildings, fuelling vehicles, drying crops and powering mines, amongst many others. While other energy options require largescale infrastructure spending or further technological development, **propane is ready to go today.**

The Canadian propane industry supports approximately **21,000 direct jobs**. Canadians are employed in the propane industry in many roles, including in extraction, production and refining, transportation and distribution, equipment manufacturing, sales and marketing. And these jobs are spread throughout Canada.

Each year, the Canadian propane industry generates on average more than **\$4.4 billion** for the Canadian economy.

All levels of government are beneficiaries of a strong propane industry. Propane operations across the country generate about **\$1 billion in taxes and royalties each year**. These funds help to pay for important services in Canadian communities.

Propane infrastructure in Canada is well-developed, with tremendous capacity to produce and deliver an abundant supply that is highly portable via truck, rail and pipeline across Canada.

Propane's versatility and portability provide large infrastructure savings over the cost of natural gas and renewable energy applications. Today, propane is transported to, and used in, every corner of the country.

The propane industry continues to invest in the infrastructure and technology required for the ongoing growth of propane applications.

With Canada's growing petrochemical industry, propane is an important basic raw material for value-added chemical production. Propane can be used to produce synthetic plastics, fibres and rubber, as well as pharmaceuticals and dyes.

Two projects by Inter Pipeline Ltd. and Pembina Pipeline Ltd. are underway to turn propane into plastic. Inter Pipeline's \$3.5-billion propane-to-plastics facility is currently under construction and Pembina Pipeline is progressing with its \$4.5 billion project to build an integrated propane dehydrogenation plant and polypropylene upgrading facility near Edmonton.

Close to 50% of Canadian propane is exported. New projects are being completed to allow propane to be exported and reduce GHG emissions in the world. For example, the **AltaGas Ridley Island Propane Export Terminal** shipped its first shipment of propane on May 23 to Asia, allowing for new market access for Canadian propane.

Creating jobs, producing Canadian energy and being responsible to the environment can be done. Canadian-produced propane checks all the boxes. We call it the **Propane Advantage**. Below are some examples.

FOR HEATING

Switching to propane from heating oil reduces GHG emissions and switching from electricity can save money. It makes environmental and economic sense, and many Canadians, particularly those in rural and remote areas, choose propane for their energy needs.

Homeowners and Businesses

- Combined with high-efficiency appliances, propane allows homeowners to enjoy lower energy bills while reducing emissions and supporting local distribution businesses.
- Switching to propane from heating oil **reduces greenhouse gases by 38%**. Switching from electricity to propane can save money and GHGs in some provinces.
- When you take reliability, cost, performance, and efficiency into account, propane heating outperforms nearly every other type of heating system available. This is particularly true where natural gas is not available.

FOR INDUSTRIES

Propane can go just about anywhere and perform numerous roles, making it an integral energy source across industry. From warehouses to mines, from manufacturing facilities to hospitals, propane energizes Canada.

Building Construction

- Propane is widely used in construction for a variety of everyday tasks, including flame cutting, powering generators, space heating and drying, heating or melting materials such as roofing. Propane emits less carbon dioxide and other pollutants than gasoline or diesel, improving air quality for crews.

Mine Operations

- Propane is the fuel of choice for mining operations across Canada. Many operations utilize propane for heating mine shafts, powering camps, and in the smelting and refining of minerals. In areas that are often environmentally sensitive, propane's 'no-spill' characteristics provide a huge advantage over liquid fuels.

FOR AGRICULTURE

The value of propane influences all aspects of farming operations. Whether it's used for heating, in irrigation engines, grain dryers, standby generators, pickup trucks, or a variety of other applications, propane can efficiently fuel a wide variety of farm equipment. And no natural gas infrastructure is required!

Building and Water Heaters

- A growing number of farmers are using propane-powered building heaters, including in greenhouses, barns and brooding sheds, as well as water heaters in their operations.

Irrigation Engines

- Propane-powered irrigation engines are modern and efficient, providing farmers with immediate savings in fuel costs compared with diesel or gasoline.

Grain Dryers

- New propane-powered units are extremely efficient and distribute a very precise heat, ensuring the grain dries evenly and results in a high-quality yield.

FOR INDIGENOUS AND REMOTE COMMUNITIES

Many Indigenous and remote communities in Canada 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.

According to the Treasury Board Secretariat, since 2017, the cost for remediation in Indigenous communities across Canada due to contamination from diesel and oil spills amounts to \$203 million. For some individual communities the cost was upwards of \$3 million.

There is an immediate opportunity to reduce GHG emissions in Indigenous and remote communities by replacing dirty fuels with low-emission propane.

An example of this is the renewable energy demonstration project in the remote Indigenous community of **Xeni Gwet'in**, located in the Nemiah Valley of British Columbia. Upon completion of the project, it is expected that 67 homes and eight community buildings will be powered by a **Solar PV-Propane System** for the critical initial component (Phase 1). The target is for diesel consumption in the community to be reduced by about 143,000 litres a year, representing a savings of more than \$150,000 annually to the community.

The CPA is mindful of the **Calls to Action by the Truth and Reconciliation Commission of Canada** and is reaching out directly to Indigenous communities to have, as outlined in Section 92.1 of the Commission's Report, "meaningful consultation, building respectful relationships, and obtaining the

free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.”

Section 92.2 of the Calls to Action 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”.

Through **CPA’s Propane Training Institute (PTI)**, the propane industry can provide the training and economic development benefits such as those outlined in Section 92.2 of the Commission report.

FOR TRANSPORTATION

Auto propane is a cost-effective, globally trusted and low-emission automotive energy option. It has many economic and environmental advantages over traditional and alternative vehicle fuels.

Auto propane is ideally suited for school and transit buses, courier vans, police cars, taxis, limos and any other high-mileage vehicles, particularly those in the light-duty category. Auto propane has the largest refuelling infrastructure of any alternative fuel in Canada; close to **100,000 vehicles** are on the road today.

Reduced Cost to Operate and Maintain

- Lower fuel costs than gasoline and diesel – **40% less on average**
- Affordable vehicle conversion costs are quickly absorbed – **from \$4,000**
- Low maintenance costs due to clean-burning attributes

Lower Environmental Footprint

- Up to **26% less** lifecycle GHG emissions than gasoline
- **15% less** GHG emissions than diesel-fuelled vehicles
- 60% less carbon monoxide (CO) than gasoline, 98% less particulate matter than diesel and contains virtually no sulphur – a contributor to acid rain. It emits practically no soot and low hydrogen and oxides of nitrogen, the basic precursors of ground-level ozone, or smog.

Reliable and High Performance

- Comparable power, range and performance to gasoline and diesel vehicles
- Excellent cold start properties
- Dual-fuel technology (with gasoline or diesel), for added convenience

CPA MEMBERS ARE COMMUNITY BUILDERS

Mr. Chair, you and your colleagues will be familiar with many 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.

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 shows the important role the expanded use of propane can play in transitioning to a low carbon economy.

We look forward to sharing our thoughts directly with Finance Committee members during the hearings later this year.