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Written Submission for the Pre-Budget Consultations in Advance of the 2021 Budget

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Recommendations:

Recommendation 1: The Federal government commits to reductions in energy costs and GHGs in residential, commercial, agriculture and industrial applications by switching from heating 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 2021-2022 fiscal year. Converting from oil to low-emission propane would yield a 38% reduction in GHGs.

Recommendation 2: 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 2021-2022 fiscal year, for the conversion of over 15,000 residential, public and commercial buildings in Indigenous communities from diesel/heating oil to low-emission propane.

Recommendation 3: Over a three-year period beginning in the 2021–2022 fiscal year, the Federal Government commit up to \$125 million in tax credits for converting fleets from gasoline to low-emission propane (\$5,000 per fleet vehicle). This would yield a 26% reduction in GHGs compared to gasoline. The federal government should also consider a national strategy to incentivize the replacement of light to medium diesel vehicles (i.e. school buses) with low-emission propane which would see a 15% reduction in GHGs and 98% reduction in Particulate Matter.

Recommendation 4: Prioritize development of Renewable Propane in Canada. Commercially available in Europe and also produced in the United States, Renewable Propane can reduce emissions by 80% compared to heating oil. A game changer for heating, transportation, agriculture, Indigenous, remote and rural communities in Canada.

Recommendation 5: The Greenhouse Gas Pollution Pricing Act (GPPA) should be changed to ensure that low-emission propane receives the same exemptions as any other fuel used in agriculture. Also, exclusivity for farm machinery should be changed 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.

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.

A cleaner fuel choice than oil, diesel and gasoline, propane is a vital part of Canada's energy portfolio as we transition to a low-carbon economy. The environmental benefits of consumers switching to low-emission propane will be even greater through investments in new technologies, such as renewable propane.

Managing COVID-19

In its *Economic Fiscal Snapshot 2020*, the Department of Finance made three very important observations that will be key considerations as the government develops plans to help people and businesses adjust to life that continues to be deeply affected by COVID-19: consumer hesitancy due to continued health risks, uncertain employment and income prospects, and business hesitancy around rehiring and investing.

While this assessment is accurate, we cannot allow that to limit efforts to restart the Canadian economy, as it recovers from the COVID-19 pandemic. In fact, now is the time to look at our collective assets and build on the things that work. That includes clean, affordable and readily available propane.

During COVID-19, Canadians continue to need access to safe, efficient and reliable fuels. Canadian propane checks all these boxes. Despite the challenges of the pandemic, our members continue to provide a low-emission fuel that reduces GHG emissions that will help Canada transition to a low-carbon economy.

Canada's propane industry is well positioned to help more Canadians meet their fuel needs in these uncertain times while also helping achieve the shared goal of a greener future.

Propane offers immediate opportunities to reduce emissions and provides an affordable energy choice to Canadians. That's why a truly holistic approach to GHG reductions in Canada must include low-emission propane as part of our country's energy portfolio.

Including propane now in policy and programming development to transition to a lower carbon intensity economy and will immediately 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 large-scale infrastructure spending or further technological development, propane is **ready to go today**.

The Canadian propane industry supports approximately **21,000 good-paying direct jobs**. Canadians are employed in the propane industry in many roles, including 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**.

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.

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.

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

For Heating

Switching to propane from heating oil reduces GHGs 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.

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 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 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.

Remediation in Indigenous communities across Canada due to contamination from diesel and oil spills costs in the hundreds of millions of dollars. For some individual communities the cost can be 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.

The CPA is mindful of the **Calls to Action by the Truth and Reconciliation Commission of Canada** and has reached 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 light-duty vehicles. Auto propane has the largest refuelling infrastructure of any alternative fuel in Canada with close to **100,000 vehicles** on the road today.

Reduced Cost to Operate and Maintain

- Lower fuel costs than gasoline and diesel – **25% less on average**
- Affordable vehicle conversion costs, are quickly absorbed
- Low maintenance costs; burns cleaner

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 which cause smog.

Propane is the energy of today. Renewable Propane (RP) is the energy of tomorrow.

The opportunities to reduce GHGs are very exciting if we consider the growth of renewable propane (RP). RP is now commercially available in Europe. In the United States, RP is being produced by Renewable Energy Group in Geismar, Louisiana.

Renewable propane is a byproduct of the renewable diesel and jet fuel production process, which converts plant and vegetable oils, waste greases, and animal fat into fuel. Renewable propane has the same chemical structure and physical properties as conventional propane

Because it's produced from renewable, raw materials, renewable propane has an even lower carbon intensity than conventional propane and is far cleaner than other energy sources. Renewable propane is already available, and many experts predict the entire worldwide demand can be met with renewable propane by 2040.

Investing in the diversity of energy while producing cleaner transportation vehicles is the type of forward-looking policy that we need in Canada today. In the United States we see that is already happening. In July, the U.S Department of Energy awarded a \$3.5 million grant to Colorado State University which will be working with engine manufacturer Cummins Inc. to develop a new, high-efficiency propane engine which could replace large diesel engines.

Conclusion

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.