

Standing Committee on Finance

Re: Canadian Biogas Association's 2021 Pre-Budget Submission

As the voice of Canada's growing biogas industry, including over 140 member companies, the Canadian Biogas Association (CBA) is excited to continue supporting Canada's efforts to meet ambitious climate goals while generating new jobs and strong economic opportunity across Canada.

When the COVID-19 health crisis passes, the federal government will need to transition from emergency economic relief to long-term recovery. As noted recently by the Task Force for a Resilient Recovery, that means kickstarting jobs and growth at the same time as growing a clean economy. Canadian biogas can play a major role in this effort. By investing in the development of more biogas on Canadian farms and in Canadian cities, and integrating it as renewable natural gas (RNG) into natural gas distribution networks, the federal government can drive jobs and economic development in regions and sectors hit hard by the impact of COVID-19, at the same time as advancing towards Canada's climate goals and realizing the full potential of the government's forthcoming Clean Fuel Standard policy.

The CBA appreciates the opportunity to provide input to the federal Standing Committee on Finance's 2021 pre-budget consultations. We offer four recommendations for Canada's Budget 2021 that will harness the value that biogas and RNG can bring to Canada's economic recovery and growth efforts.

The CBA thanks the Committee for its consideration and looks forward to working with relevant ministries to enable the growth of biogas/RNG in Canada.

Sincerely,



Jennifer Green
Executive Director, Canadian Biogas Association

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Biogas Makes Better Gas

Recommendations

The CBA submits the following four recommendations to the federal Standing Committee on Finance for consideration in the 2021 pre-budget consultations.

Recommendation 1: Invest in Canada's fast-growing clean energy and cleantech sectors and businesses committed to the local production and export of world-leading low- and zero-carbon commodities, including a \$750M Renewable Gas Program and funding for a Low-carbon Infrastructure/Transportation Program;

Recommendation 2: Support clean energy and cleantech solutions and business by expanding existing initiatives and programs including the Clean Fuel Standard;

Recommendation 3: Create a national "Clean Fuel Strategy" to leverage innovation and sustainable resources to secure investment in the production and use of clean fuels;

Recommendation 4: Conduct a review of Canadian tax policies to support the investment in the production and use of clean fuels in Canada.

Overview

Biogas is a low carbon fuel that is captured from biological processes on farms, landfills, wastewater treatment facilities, and residential/commercial green bin programs. Biogas is upgraded to produce RNG, which gets blended in existing natural gas pipelines across Canada to provide a cleaner fuel for transportation, household heating and industrial, commercial and institutional processes.

There are currently more than 200 biogas operations providing this clean fuel opportunity across Canada. There is capacity for hundreds more, with conservative estimates finding an opportunity for 700 more RNG projects producing 100,000 GJ each per year¹.

Reaching a 5% blend of homegrown RNG in Canada's natural gas mix would reduce greenhouse gas emissions by 14 megatonnes by 2030², grow marketable Canadian expertise, and drive economic development and diversification in Canada's agricultural and municipal sectors. Some regions in Canada have committed to renewable gas targets and industry collectively has set [an aspirational target of 5% by 2025 and 10% by 2030](#). Yet there remains a large gap in meeting these goals. The reason for this gap is that it takes investment to develop biogas/RNG opportunities, on farms and at municipal facilities, and to connect them to customers.

¹ TorchLight Bioresources, RNG Feedstock Potential in Canada, 2020

² ICF, Natural Gas Potential Contribution to GHG Reduction in Canada to 2030, August 2016

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Federal and provincial policies, including the Government of Canada's forthcoming Clean Fuel Standard, will help to accelerate integration. However, to capture the full economic opportunity of Canada's transition to a cleaner energy system, and to help distribute those benefits, including in Canada's agricultural and municipal communities, Canadian biogas/RNG needs support for research, infrastructure development and adoption. Further effort from federal government stimulus and recovery efforts can secure the value of biogas/RNG, creating a stronger, more diverse Canadian economy.

Realizing the full potential of biogas/RNG development can lead to³:

- Close to 17,000 construction jobs for a period of one year, and 2,650 on-going long-term operational jobs;
- 1,800 separate construction projects with a capital investment of \$7 billion and economic spin-off of \$21 billion to the Canadian economy; and
- 100 new and expanded Canadian companies, including biogas system designers and developers, equipment suppliers, and laboratories.

As policymakers look to kick-start jobs and spark a long-term economic recovery after COVID, biogas/RNG can play a multi-faceted role. It can create jobs and revenue, including through economic diversification in sectors that have been impacted by COVID like agriculture and municipalities. It can also reduce carbon emissions from energy use, helping Canada meet its 2030 and 2050 climate goals.

Rationale

Biogas/RNG brings forth tremendous economic, social, and environmental benefits for a resilient, renewable recovery in Canada. These benefits can be realized when industry and governments work together. The following rationale supports the CBA's recommendations offered for consideration in the 2021 pre-budget consultation:

- 1. Invest stimulus into Canada's fast-growing clean energy and cleantech sectors and businesses committed to the local production of world-leading low- and zero-carbon commodities including a \$750M Renewable Gas Program and funding for low-carbon infrastructure/transportation pathways.**
 - a. Low-Carbon Gaseous Fuels: NRCan to introduce a Renewable Gas Program for technology commercialization and renewable gas supply with \$750 million over six years to advance the development of low-carbon gaseous fuels like biogas/RNG and to stimulate the growth and transition of clean-tech, innovation, and green jobs across Canada***

The CBA supports the development of a *Canadian Renewable Gas Innovation Program*⁴, to be led by NRCan, that would see federal funding for technology commercialization and deployment of renewable gas supply. This

³ CBA, [Canadian Biogas Study](#), November 2013

⁴ CGA, [The Canadian Renewable Gas Innovation Program](#), August 2018

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would include \$750 million over a six-year fund that aims to leverage private capital, utility/ratepayers and/or provinces to stimulate the production and adoption of biogas/RNG across Canada. This program would support achieving a 5% renewable blend equal to 184 PJs, in the natural gas pipeline, which is equivalent to the natural gas needs of 1.7 million Canadian homes for a year⁴.

The Renewable Gas Program would have two separate streams to support Canadian manufactures of renewable gas technology solutions and equipment:

- i) \$175M Renewable Gas Technology Research and Development Fund
 - a. The Fund would include two separate funding blocks; a \$150M Technology Demonstration Fund; and a \$25M Laboratory Fund
- ii) \$575M Renewable Gas Commercialization Fund
 - a. The Fund would support repayable financing for renewable gas projects of up to \$25M per project. The project proponents would have three options available to address local policy and market needs and the value of the funds would be the same across all three options.

Gaseous fuels have not been the beneficiary of federal funding like biofuels (\$2 billion in 2007) and renewable electricity (>\$1 billion since 2007) – and yet 50 percent of the energy needs of Canadians, outside of transportation, are currently being met through gaseous fuels like natural gas⁵. A *Canadian Renewable Gas Program* would help decarbonize Canada's natural gas supply and meet climate goals while driving new economic opportunity and jobs primarily in Canada's agriculture, municipal and waste management sectors.

b. Low-Carbon Infrastructure/Transportation: NRCan to allocate funding into new and existing clean energy infrastructure and transportation pathways to support the deployment and advancement of biogas and RNG technologies

When biogas is upgraded to RNG, it can be produced to meet all of the technical standards and requirements of conventional natural gas, including for fueling medium and heavy-duty vehicles. In Canada, GHG emissions from freight account for over 10.5% of transportation emissions⁶. A 2011 analysis by Argonne National Laboratory found an 81-91% GHG emissions reduction for biogas-based RNG vehicles relative to gasoline vehicles, making RNG in transportation a powerful tool in reducing Canada's carbon emissions.

Some North American leaders are already capturing the RNG transportation opportunity. The Surrey Biofuels Facility, in British Columbia, captures biogas from its waste management facilities and converts it to RNG for fuelling the City's waste collection fleets. It is the first city in North America with a carbon-neutral waste collection fleet, reducing GHGs by over 40,000 tonnes per year⁷. In California, RNG is playing a role in short haul and day trip vehicles. A 2017 jobs study found that deploying trucks fueled by RNG could create up to 130,000

⁵ ICF, Natural Gas Potential Contribution to GHG Reduction in Canada to 2030, August 2016

⁶ Pembina Institute, [The State of Freight](#), June 2017

⁷ CBA, [RNG for Municipalities](#), 2017

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new jobs and add \$14 billion to California's economy⁸. Existing and planned municipal RNG biofuels projects in Ontario include the City of Toronto, the Regional Municipality of Durham and the Region of Peel.

To fully capture the climate and energy benefits of RNG in transportation, we need a rapid scale up of public and private sector investment. This investment, unleashed through a recommended federal fund, should be targeted at research, demonstration projects, infrastructure development and scaling up successful deployment.

2. Support clean energy and cleantech solutions and businesses by expanding existing initiatives and programs including the Clean Fuel Standard (CFS).

As the government looks to economic recovery measures, the CBA urges the government to stay the course with implementation of the CFS for all streams – liquid, gaseous, and solid.

The recent volatility of global oil markets highlights the benefit of a diversified energy sector in Canada - an energy sector that is not collapsing when international market powers decide to flex their muscles. Biogas/RNG are proven, domestically produced clean fuels with an established base of over 200 facilities across Canada located in municipalities, farms, wastewater treatment plants, and landfills. With the right policy framework in place – such as a CFS – and policies (federal, provincial, and municipal) that do not hinder the local siting of biogas facilities the biogas/RNG sector will continue to grow, generate resilient jobs here at home and contribute to Canada's post-pandemic economic recovery while helping Canada reach GHG reduction targets.

3. Create a national "Clean Fuel Strategy" to leverage innovation and sustainable resources to secure investment in the production and use of clean fuels.

The CBA along with other national Canadian clean fuel associations forecast GHG emission reductions of over 50 megatonnes per year by 2030 through greater production and use of renewable energy in Canada, such as increased biofuel blending, lower carbon biofuels, biogas/RNG, electricity, hydrogen and other lower carbon fuels. To help with this transition, producers of low-carbon fuels have identified a number of supportive policies and funding priorities that are essential to supporting the successful adoption of low-carbon fuels in Canada.

To attract the capital investments (\$ billions) necessary to support this transition, the associations have recommended that the federal government adopt a Clean Fuel Strategy by 2020. The strategy would include setting a clear path to clean and renewable fuel use by 2030:

- Establishing clear market signals for clean fuels and electric vehicles
- Aligning clean and renewable fuel regulations to meet targeted clean fuel and EV use
- Establish clean fuel program funding to support clean and renewable fuel production capacity and infrastructure investments, and support EV adoption

⁸ ICF, [Economic Impacts of Deploying Low NOx Trucks fueled by Renewable Natural Gas](#), May 2017

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- Support research and development programs to maintain Canadian leadership in clean fuel technologies and innovation

The CBA recommends that the federal government lead the development of a Canadian Clean Fuel Strategy that would define national clean fuel targets, develop an economic plan to attract and deploy capital to build capacity and support use of low carbon fuels in Canada, and identify actions to direct federal government programs, agencies and tax teams to implement the Clean Fuel Strategy.

4. Conduct a review of Canadian tax policies to support the investment in the production and use of clean fuels in Canada.

The CBA recommends that Finance conduct a review of Canadian tax policies to support investment in the production and use of clean fuels in Canada. The 'Clean Fuel Tax Policy Review' should be conducted in the fall of 2020, to inform the development of specific measures for Budget 2021. The review should include consultations with clean energy finance/tax experts and the national clean fuel industry stakeholders, including but not limited to renewable gases including biogas and RNG.