

Hon. Chrystia Freeland  
Deputy Prime Minister and Minister of Finance  
90 Elgin Street  
Ottawa, ON  
K1A 0G5

January 15, 2024

**RE: Biogas & RNG – Budget23 commitment to support biofuels**

Dear Minister Freeland,

We are writing on behalf of our associations and their combined 195,000 member companies, including farms, municipalities, utilities, and more across Canada's biogas and renewable natural gas (biogas & RNG) value chain. Biogas & RNG is already delivering 8Mt of annual emissions reductions and processing 2 million tonnes of organic waste per year to generate 22PJ of clean energy. At COP28, Canada reaffirmed its commitment to reducing methane emissions as critical to slowing climate change, with ambitious targets that will require reductions from the agricultural, landfill, wastewater, food processing, and other sectors. Canada is, however, only utilizing 13% of its biogas & RNG potential, and further investments in domestic projects have been largely stalled due to the expansion of investment tax credits (ITC) of 30-50% for new biogas facilities in the United States through the Inflation Reduction Act (IRA).

The omission of this proven technology from existing Canadian tax incentives for clean energy in Canada was a significant missed opportunity to support critical sectors to reduce methane emissions, decrease carbon intensity, and generate circular clean energy. Biogas & RNG use only organic waste as feedstock, with dairy manure among the most common feedstocks in Canada. RNG can be directly supplied into existing natural gas infrastructure without retrofit and displace fossil fuel use. This clean energy and its by-product, a nutrient-rich fertilizer, can generate additional revenue streams for farmers and communities while providing a sustainable waste management solution.

Members of our associations were pleased to see a commitment in Budget23 to support the biofuels sector. This commitment led to a consultation process with Natural Resources Canada, during which the specific concerns around competitiveness of biogas and RNG investments in Canada were raised. Detailed data were also provided to explicate the need to act and respond to the US IRA.

**Notwithstanding this commitment, a signal has yet to be provided that gaseous biofuels will be included in biofuels support programs, which we understand are to be unveiled in Budget24.**

Our associations caution against leaving out gaseous biofuels as this would be a missed opportunity for the environment and economy. **We recommend supporting biogas & RNG development through a refundable ITC** at a rate equivalent to what is available to clean hydrogen (up to 40%, based on carbon intensity). This measure alone would allow Canada to **unlock \$1.5 billion in investments<sup>1</sup>, 1250 full-time**

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<sup>1</sup> Based on industry insights collected by the Canadian Biogas Association from its members and assumes 30 projects proceed with a CAPEX of \$50M each.

**jobs, 4.4PJ of annual clean energy generation, and more than 1Mt of annual GHG reductions by 2030<sup>2</sup>,** with investment nearly doubling by 2050 if accompanied by other important policy signals.

As the window for a meaningful response to the IRA closes, the need for an explicit and competitive policy signal is more urgent and imperative than ever. The American Biogas Council estimates that the IRA incentives for biogas facilities have already caused new annual investment in the industry to double, and the Canadian market is clearly feeling the impacts of this competitive disadvantage. Canadian companies such as Imperial Oil have opted to import American RNG, while others such as Enbridge have invested in new biogas facilities in the United States rather than here in Canada. There are currently an estimated 30 projects on pause to consider moving investments to the US.

Biogas & RNG technology can empower Canadian farmers and communities to transform waste into clean energy sources, but only with the immediate introduction of proper incentives to restore a competitive investment landscape with the United States. The further development of this industry is critical to the decarbonization of key Canadian sectors, and we look forward to hearing from you on plans to expeditiously level the playing field.

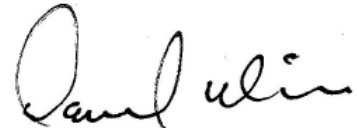
Sincerely,



Jennifer Green  
Executive Director  
Canadian Biogas Association



Keith Currie  
President  
Canadian Federation of  
Agriculture



David Wiens  
President  
Dairy Farmers of Canada



Stephen Heckbert  
Executive Director  
Canadian Pork Council



Canadian Pork Council  
Conseil canadien du porc



Will Lowe  
Chair  
National Cattle Feeders  
Association



Barb Swartzentruber  
Interim Managing Director  
Canadian Alliance for Net-  
Zero Agri-food



<sup>2</sup> Based on modelling performed by Navius research, July 2023.

CC:

Hon. Jonathan Wilkinson, Minister of Energy and Natural Resources

Hon. Steven Guilbeault, Minister of Environment and Climate Change

Hon. Lawrence MacAulay, Minister of Agriculture and Agri-Food

Paul Halucha, Deputy Secretary, Clean Growth, Privy Council Office

Tony Maas, Senior Policy Advisor, Office of the Prime Minister