

Note • Bill C-234 (as passed by the Senate with amendments)

Extension of the exemption for qualifying farming fuel to marketable natural gas and propane – Updated cost estimate



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Bill C-234¹ proposes to amend the *Greenhouse Gas Pollution Pricing Act* to extend the exemption for qualifying farming fuel to marketable natural gas and propane. The Bill passed on third reading in the House of Commons on March 29, 2023 would remove the fuel charge on natural gas and propane that would be used for: a) the purpose of providing heating or cooling to a building or similar structure used for raising or housing livestock or for growing crops; b) an industrial machine or a stationary or portable engine used for grain drying. On September 15, 2023, PBO published a [cost estimate of Bill C-234](#) as passed by the House of Commons on third reading.

On December 12, 2023, the Senate passed the bill on third reading with two amendments.² The first amendment limits the exemption for agricultural fuels to natural gas and propane used in grain drying operations and provides no exemption for fuels used to heat or cool a building or similar structure used for raising or housing livestock or growing crops. The second amendment limits a sunset clause to three years instead of eight.

PBO estimates that the amended Bill would reduce fuel charge proceeds by \$19 million in 2023-24, increasing to \$27 million in 2025-26, which over the same period is approximately one quarter of our estimate of the Bill as passed by the House of Commons on third reading. PBO assumes that the Government will correspondingly reduce fuel charge proceeds returned such that there is no budgetary impact (that is, there would be no net cost) over this period.

**Detailed cost of Bill C-234 (as passed by the Senate with amendments),
millions of dollars**

Fiscal year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028
NL	-	-	-	-	-
PE	0	0	0	-	-
NS	0	0	0	-	-
NB	0	0	0	-	-
ON	7	9	10	-	-

MB	1	2	2	-	-
SK	5	6	7	-	-
AB	5	7	7	-	-
Total fuel charge proceeds	19	23	27	-	-
Total fuel charge proceeds returned	-19	-23	-27	-	-
Total cost	-	-	-	-	-

Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending). The value of "0" means that the cost is not material (that is, less than 500 thousand dollars).
- Totals may not add due to rounding.

Estimation and Projection Method

PBO first calculated the share of natural gas and propane used in crop production (excluding cannabis, greenhouse, nursery and floriculture) relative to that used by the agricultural sector as a whole, based on Statistics Canada's 2020 supply and use tables at the provincial level.

PBO then multiplied these shares by the agricultural sector's projected use of natural gas and propane by province, provided by Environment and Climate Change Canada (ECCC), to calculate crop production use for each type of fuel.

Next, PBO calculated the share of heating and curing fuel expenses for grain and oilseed production relative to crop production, based on annual farm operating expenses from Statistics Canada.

PBO multiplied these shares by the projected use of natural gas and propane for crop production in order to project use of these fuels by grain and oilseed producers. PBO converted these projections into carbon dioxide equivalents and then applied the per tonne fuel charge of \$65 in 2023-24, rising to \$95 in 2025-26.

Based on our interpretation, the amended Bill would not affect the fuel charge exemption for greenhouse operators under Section 36 of the *Greenhouse Gas Pollution Pricing Act*³ and the Fuel Charge Regulations⁴. Consistent with our September 15, 2023 estimate, the costing of the amended Bill covers only the fuel charge on natural gas and propane used for on-farm grain drying.

Sources of Uncertainty

Small quantities of natural gas and propane in the grain and oilseed sector could be used for purposes other than grain drying. Fuel projections are not filtered by purpose.

There is also uncertainty regarding annual projections for natural gas and propane. Projections of these fuels by sector are sensitive to assumptions about the behavioral impact of carbon pricing and other economic factors.

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Data Sources

Natural gas and propane used by sector by province

Environment and Climate Change Canada

Supply and use tables

Statistics Canada

Farm fuel expenses by province

Statistics Canada, [Table 32-10-0136-01](#)

Energy conversion tables

Canada Energy Regulator

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¹ [An Act to Amend the Greenhouse Gas Pollution Pricing Act.](#)

² [Greenhouse Gas Pollution Pricing Act, Bill to Amend—Third Reading.](#)

³ Under Section 36 of the *Greenhouse Gas Pollution Pricing Act*, a greenhouse operator is eligible to obtain relief of 80 per cent of the fuel charge when it receives propane or marketable natural gas and an exemption certificate applies.

⁴ [Fuel Charge Exemption Certificate for Greenhouse Operators.](#)