



The Rt. Hon. Stephen Harper
Prime Minister of Canada
Office of the Prime Minister
80 Wellington Street
Ottawa, ON K1A 0A2

Sept. 13, 2006

Dear Prime Minister,

There exists today a critical window of opportunity. Renewable fuels such as ethanol and bio-diesel are revolutionary technologies that have tremendous potential to improve Canada's economy and environment. A domestic renewable fuels industry offers great potential in:

- Building a strong, new and innovative value-added industry in Canada;
- Creating industry, jobs and economic contribution within rural communities;
- Increasing regional tax bases;
- Reducing Canada's greenhouse gases by millions of tonnes, improving air quality and reducing health care costs;
- Contributing significantly to improve grains and oilseed producer incomes from the marketplace; and
- Generating competitive feed co-products for livestock industries.

However, this window of opportunity is quickly closing. Canada has the potential to become a world leader in renewable fuels production but, unfortunately, Canada lacks a strong, stable investment environment to build this new industry. Currently, the United States (US), Europe, and many other countries around the world are building their industries quickly, and if we do not act, we will leave Canada a producer of raw product and an importer of value-added bio-fuels. A properly constructed domestic bio-fuels strategy is required now to both ensure our domestic bio-fuel production potential is realized and maximize benefit to domestic grain and oilseed producers.

A bold national bio-fuels strategy

There is a need for government to help build a strong, stable, national strategy to ensure Canada is a competitive environment for bio-fuels production capital investments. Other countries, notably the US, have been highly strategic in developing multi-level policy responses that provide significant incentives to build and develop their industry domestically. We recommend an equally strategic plan to build value-chain partnerships, provide multi-level support and build a "Made-in Canada" industry. We recommend five major components:

- A renewable fuel standard of 5% bio-ethanol and 5% bio-diesel
- Greater parity with US incentives to improve investment into processing facilities;
- Strong bio-fuel quality standards built in partnership with stakeholders;

- Programs to encourage primary producer investment and ownership into bio-fuel value-added facilities, such as loan guarantees, support for cooperatives and investment tax incentives; and
- Targeted support and research into energy specific feedstocks and processing technologies to continually strengthen the use of domestic feedstock and competitiveness of the industry.

Three key points must be noted:

- With strong investment in a stable policy environment and with tax and direct investment policies, bio-fuels technology will improve, Canadian industries will build knowledge and experience, and the industry will grow to be successful. **If Canada waits until second-generation technology is completely developed before it invests, it will be too late.**
- Maximizing benefit to primary grain and oilseed producers from a bio-fuel strategy is an essential consideration. Primary producer ownership is one key. Without encouraging producer ownership, farmers will be left once again to be providers of raw product, subject to subsidy distorted markets and will not realize the full benefits of this industry. Only ownership and development of value-added business will ensure that primary producers achieve improvements to their incomes, and less reliance on ad hoc government payments in the long run.
- Any renewable fuels strategy must be just that – a strategy. All components must be designed together to work together. A 5% renewable fuels standard, while a good start, does little on its own as fuels or feedstocks may be imported. Without tax incentives, investment might be limited. Without quality standards and marketing the industry will lose market confidence. Without encouraging producer ownership farm incomes will continue to be limited to raw commodity prices in distorted grain markets.

A strong national bio-fuels strategy would be win-win-win:

Building this strategy will boost Canada's economy through the development of an entirely new industrial complex, improve the environment and health of Canadians through better air and water quality, and improve primary producer incomes from the marketplace.

A strong, bold national bio-fuels strategy with a significant funding commitment and an aggressive communications plan will be a strong message to Canadians that your Government is dedicated to building a brighter future for Canada's economy, environment and rural communities.

We the undersigned urge you to work in partnership with stakeholder organizations to build this new vision for the future.

Sincerely,

Mike Leslie
General Manager