

**OPENING REMARKS TO THE AGRICULTURAL ROUNDTABLE ON
BIOFUELS**

OTTAWA, JUNE 19, 2006

BOB LAFOND - ON BEHALF OF CREDIT UNION CENTRAL OF CANADA

Good morning. My name is Bob Lafond. I am here on behalf of Credit Union Central of Canada. Canadian Central is the national trade association for the credit union system outside of Quebec. Canadian Central is primarily owned by nine provincial credit union central organizations. The Canadian Central family includes 526 credit unions with 4.8 million individual credit union members and \$87 billion in assets.

First of all, we would like to thank Agriculture and Agri-food Canada – and in particular the Honourable Minister Chuck Strahl - for the invitation to participate in today's roundtable. As lenders with a strong rural base, the credit union system is very interested in the seeing the development of a vibrant bio-fuels industry in Canada. We are supportive of the Federal Government's efforts to promote the industry and, in particular, the government's commitment to implementing a five percent average renewable content requirement in transportation fuel by the year 2010.

As we have been asked to keep our opening comments very short we will take the next few minutes to set out a number of broad comments that the Federal Government may wish to take into account as it develops a renewable fuels strategy in the coming months:

1. We believe a successful bio-fuels strategy will require the elaboration of a broad and consistent policy framework to foster growth in the sector. The framework will have to ensure that environmental policy, trade policy, tax policy, government backed research and development and financial incentives to lenders work in a coherent fashion to promote the conditions for growth in the industry. On their own, loan guarantees or loan loss reserve funds will not provide the incentive for lenders to finance the sector if other policies are not in place to foster strong investment and growth.

2. It is essential that the Canadian agriculture sector benefit from this policy initiative. To that end, we suggest the Federal Government examine ways to ensure that Canadian farmers benefit from the expected increased in demand for grain. We recognize that such policies must remain consistent with NAFTA and WTO rules; however, it would be unfortunate if the expected benefits from such government mandated requirements largely flowed to US producers who are already enjoying extensive government support.

3. The Federal Government should examine ways to assist farmers and rural communities in staking a major ownership claim in the industry as it grows. We believe that incentives should be put in place to support the growth of a co-operative business model in this area. These incentives might take the form of investment tax credits to individual investors or federal funding for co-operative

development programming that could provide financing for feasibility studies, co-operative business planning and support.

4. The Federal Government should consider how it might assist in and advance research and development in this area in light of the fact that the inputs for these fuels have largely been developed with a view to consumption and not fuel production.
5. In consultation with financial institutions, the Federal Government may wish to develop loan guarantee programs or loan loss reserve funds as a means to promote lending to the bio-fuels sector. The development of bio-fuel plants requires large amounts of capital thus it will be important to find ways to reduce the risk faced by lending institutions when advancing funds to the sector. Credit Union Central of Canada would be pleased to assist you in this regard.

Thank you for the opportunity to put forward these broad comments for consideration.

We look forward to expanding upon them as the day progresses.