

Clean Fuel Regulations align Atlantic Canadians with rest of country, provides cost effective climate action and clean jobs

Advanced Biofuels Canada provides quantitative highlights showing that PBO and regional utility boards' deeply flawed cost estimates are resulting in unjustified cost on region's residents, asserting that the region needs CFR's cost-efficient and gradual on-ramp to support low carbon transportation options and economic development

Vancouver, July 7 – Advanced Biofuels Canada (ABFC) released today this statement by President Ian Thomson.

“Canada’s Clean Fuel Regulations have been under development since 2016, with extensive input at every stage from every sector impacted, including provincial and territorial governments. The regulations will reduce carbon pollution from transportation which, on an end use-basis, is Canada’s largest single greenhouse gas emissions source.

“Based on nearly two decades of experience and quantitative expertise on policies for decarbonizing transportation, we offer a number of corrections and clarifications regarding aspects of the CFR that are currently being discussed as the implementation of the CFR has started.

1. A [recent report by the Parliamentary Budget Office](#) significantly overstates costs based, in part, on an assumption that is universally understood to be incorrect
 - The PBO report has been widely cited for its estimated 2030 regional impacts
 - ABFC issued a [May 23 release](#) detailing the errors in the report, which originate from PBO’s use of flawed ECCC modeling regarding assumptions about fuel suppliers’ compliance options.
 - i. Notwithstanding irrefutable evidence to the contrary, ECCC used an assumption that fuel suppliers would not choose cost-competitive reduction options, but rather purchase 100% of credits from the most expensive sources. Numerous experts state that this is impossible in fuel markets.
2. An ABFC analysis of projected compliance costs using ECCC data, but based on the 10-year experience of the BC LCFS credit market, shows estimated CCFR costs to be 80%-95% lower than the ECCC/PBO scenario.
 - The 2030 cost impacts would be in the range of \$0.07/litre to \$0.0835/litre for diesel and gasoline respectively.
3. The PBO assessed the CFR impact by region: annual fuel cost, household impact, and provincial GDP.
 - Not surprisingly, the CFR impact in Atlantic Canada would be higher than any other place in the country, and British Columbia would see the least impact of any place in the country.
 - British Columbia has had a stringent Low Carbon Fuels Standard (LCFS) in place for a decade, and it has a far more stringent regulation in place to 2030. This will result in substantial emission reduction activities which create both LCFS and CFR compliance credits. Fuel suppliers in British Columbia will have to take very little, if any, additional actions to meet their CFR obligations.
 - Atlantic Canada provinces, on the other hand, have implemented no provincial fuel mandates; all other provinces have largely had clean fuel regulations in place 2011. Atlantic Canada must,



- therefore, catch-up on taking steps to modernize its fuel supply system to support low-carbon fuels. Atlantic Canadians will now be paying the same costs that other provinces have been paying for years to reduce Canada's greenhouse gas emissions (but avoided a decade of higher fuel costs).
4. Atlantic Canada's energy profile will be strengthened as a result of innovations and investments to meet the CFR.
 - Reliance on a single regional refinery creates competitive and supply challenges. The CFR and provincial regulations are having a profound effect in other regions of the country by delivering new fuel capacity and bringing new fuel suppliers into the market, creating more competition.
 - The region's single petroleum refinery uses some Canadian crude, but the majority of it is imported. This reliance exposes Atlantic Canadians to higher energy volatility but also misses the opportunity to use domestic biobased feedstocks and clean fuels to create new economic activity. For instance, BC has seen well over \$1 billion invested in clean fuel capacity in the last two years, a direct consequence of its BC LCFS regulations.
 - New Brunswick's [highest GHG emitting sectors](#) are oil and gas (primarily petroleum refining) at 27%, and transportation at 26%. This effectively puts transportation in top-contributor position (half of New Brunswick GHG emissions). In Newfoundland and Labrador, it's over 60%. Pursuing emission reductions from crude and refined petroleum products (gasoline, diesel, jet fuel) production can eliminate, at very most, only one fifth of fuels' GHG emissions; to achieve net zero transportation emissions by 2050, it will be critical to switch from fossil fuels to biofuels, electrification, hydrogen, and renewable natural gas.
 - [New projections](#) show that Atlantic Canadians will be driving the highest portion of internal combustion light duty vehicles well past 2050 (24% to 46% depending on policy assumptions); this will require increased production and use of clean fuels.
 5. Atlantic Canada has a lot of untapped opportunity for cost-efficient transportation GHG reductions.
 - Regional biofuel blending rates are the [lowest in Canada](#). Gasoline contains 2.8% ethanol (2021), and diesel 0.51%. The Canadian average, including Atlantic Canada, is at 6.9% and 3.5%, respectively.
 - Regional blending rates peaked in 2016 and have dropped significantly in gasoline and, more modestly, in diesel fuel.
 - [Biofuels in Canada 2022](#) (Navius Research) data show that ethanol blending in Atlantic Canada over 2010-2020 has saved Atlantic vehicle owners over \$114 million.
 6. NS, NL provincial utility board 'carbon adjustor' calculations show plausible CFR impacts, NB approach unfairly hits consumers and reaches into their wallets to subsidize fossil fuels
 - Atlantic provinces regulate retail fuel prices through their energy and utility boards, and allow fuel suppliers to recoup CFR compliance costs
 - Nova Scotia, and Newfoundland and Labrador, have assessed 4.17 cents per litre (gasoline), which is within a realistic 'lower-high cost' range
 - NB Energy and Utility Board has assessed 6.17 cents per litre, the flawed result of applying the highest possible compliance cost option across the entire fuel pool and using an incorrect methodology that

will cost New Brunswick drivers more than \$60 million annually above the pass-through assessment of other utility boards.

- By mandating the highest possible cost of compliance, NB gives fuel suppliers no incentive to compete to provide lower cost compliance options which are readily available and used extensively in other regions of Canada. We note also the potential for windfall gains by wholesale fuel suppliers if they employ lower cost compliance options but are permitted to charge the highest possible cost.

“We look forward to working with federal and provincial officials to provide Canadians with accurate data on impacts.

“The data are readily available for federal and provincial regulators to assign fair and accurate CFR costs to Canadians, and we express our view that, while these are complex regulations, we have a decade of their use in British Columbia, and can draw on that market extensively, and others where relevant, to inform Canadians questions about the cost of a federal regulation for their household.”

This release with expanded hyperlinks is found at <https://advancedbiofuels.ca/news/>

Advanced Biofuels Canada/ Biocarburants avancés Canada is the national voice for producers, distributors, and technology developers of advanced biofuels and renewable synthetic fuels. Our members are global leaders in the commercial production of these functional, scalable fuels, with over 36 billion litres of installed annual capacity worldwide. Our members include Canada’s leading advanced biofuels producers and technology innovators, who are actively developing new clean liquid fuel production and distribution assets and operations in Canada. For information on Advanced Biofuels Canada and our members, visit www.advancedbiofuels.ca.

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