

VIA EMAIL: ec.ministre-minister.ec@canada.ca

September 22, 2017

Honourable Catherine McKenna
Minister of Environment and Climate Change Canada
200, boul. Sacre-Coeur, 21st Floor
Gatineau, Quebec K1A 0H3

Dear Minister McKenna,

Re: Clean Fuel Standard – A Blueprint for Success

We, the undersigned, are writing this letter in response to the development of a national *Clean Fuel Standard (CFS)* under the *Pan Canadian Framework on Clean Growth and Climate Change (PCF)*.

Collectively, we are writing to express our support for taking the following steps to progress the CFS through the design, analysis, and implementation stages:

- i. Implement a proven transport fuel CFS design at the outset**
- ii. Conduct further analysis on the stationary fuel CFS before selecting a final design option for these fuels**
- iii. Enhance RFS measures (federally and provincially) to support an orderly market transition and enable CFS feasibility to 2030**
- iv. Implement and align federal and provincial clean energy funding/tax programs to capture economic growth and jobs in the Canadian clean fuels markets**

Background

The governments of Canada adopted the *CFS* as one of four key measures to address transportation greenhouse gas emissions in the *PCF* accord. The objective of the *CFS* is to achieve 30 megatonnes of annual reductions in greenhouse gas emissions in 2030 from transportation fuels, and from fuels used in industry, homes, and buildings.

Since January 2017, ECCC has consulted with a broad range of stakeholders on the design framework for the *CFS*. However, the process has lacked definition of design options and a detailed analysis. Further, over the past two years, the Government of Canada (GOC) and other provincial and territorial governments have advanced other climate action measures, including carbon pricing systems (carbon tax/levy, output-based systems, cap & trade), energy efficiency programs, offsets protocols, and fuels regulations. Many of these parallel policies and processes are a 'work in progress', with undefined regulatory designs and lacking an assessment of impacts.

Key *CFS* design concerns that have been identified and widely expressed are:

- Effectiveness of design option in achieving greenhouse gas reductions
- Cumulative financial impact on Canadian households, businesses, and industry
- Competitiveness of Canadian industry with our trade partners

Given the suite of climate action measures under development and the likelihood of cross-cutting impacts, it is clearly a very complex environment in which to develop and advance an effective *CFS* design framework. The undersigned parties have participated in the *CFS* design consultation and have considerable experience and expertise to address the key concerns. We recommend the GOC take a pragmatic path forward to ensure effective design and implementation of the *CFS*.

Clean Fuel Standard: Effective Design Measures

The following recommendations were developed to guide the Government of Canada, and provincial and territorial governments, in adopting effective *Clean Fuel Standard* regulatory measures under the *Pan Canadian Framework on Clean Growth and Climate Change*.

1. Transport Fuels – set specific carbon reduction requirements to 2030

- a. Mandate a 10% reduction in transport fuel greenhouse gas emissions from 2015 by 2030 (target reductions => 20MT)
- b. Implement the 10% mandate with progressive, annual carbon intensity reduction requirements from 2020-2030
- c. Mirror proven design framework of established LCFS/RFS regulations (BC model)
- d. Establish a national compliance credit, trading, and reporting system for transport fuel credits that utilizes established practices in other North American markets

2. Stationary Fuels – review design options to meet reduction requirements to 2030

- a. Conduct a detailed evaluation, with industry and governments, of fuel specific standards (e.g. a renewable natural gas (RNG) mandate) vs. the *CFS* approach for stationary fuels (target reductions => 10MT)
- b. Incorporate current design of federal/provincial/territorial carbon pricing and other climate action measures into the evaluation of *CFS* impacts
- c. Analyze cumulative impacts of *CFS* regulatory options and other climate action measures on Canadian households, businesses, and industry
- d. Select final *CFS* design approach and implement progressive, annual carbon reduction requirements for stationary fuels

3. Renewable Fuel Standards(RFS) – improve established regulations

- a. Enhance the federal/provincial renewable fuel standards to mandate biofuels blending to levels necessary to support *CFS* transport fuel requirements
- b. Adopt gaseous fuels (RNG, renewable hydrogen) in the regulatory scope
- c. Establish a national compliance regulatory reporting system for fossil, renewable and alternative fuels used in Canada
- d. Review federal/provincial RFS regulations in 2025 to assess future direction (with respect to status and performance of *CFS* in all fuel sectors)

4. Clean Innovation – secure clean energy investment, economic growth, and jobs

- a. Align federal/provincial/territorial public investment and tax programs to target an increase in the production and use of lower carbon renewable and alternative fuels in Canada
- b. Leverage regional natural resource strengths (energy, forestry, agriculture) through provincial/territorial deployment, where appropriate
- c. De-risk clean energy investment through commitment to long term, stable policies and programs

We welcome the opportunity to, individually or collectively, meet with you to discuss these recommendations in more detail. We look forward to collaborating with you and your staff, and all stakeholders, on the work ahead to implement the *Clean Fuel Standard*.

Sincerely,



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Advanced Biofuels Canada



Ken Magnus, CEO
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