

November 21, 2016

The Honorable Catherine McKenna
Minister of Environment and Climate Change

The Honorable Lawrence MacAulay
Minister of Agriculture and Agri-Food

The Honorable Jim Carr
Minister of Natural Resources

The Honorable Stephane Dion
Minister of Global Affairs

The Honorable Marc Garneau
Minister of Transport

The Honorable Chrystia Freeland
Minister of International Affairs

The Honorable Navdeep Bains
Minister of Innovation, Science & Economic Dev.

Dear Ministers:

We represent a broad coalition of business, consumer, research, public health and environmental groups in California, Oregon and other key U.S. states aligned under a shared understanding of the impacts of climate change, and a desire to seek solutions which preserve the environment and develop a thriving low carbon economy.

We applaud the government of Canada's leadership over the past year towards feasible, effective solutions to climate change. Regarding your government's efforts to address GHG emissions from transportation, we wish to share our perspective on two highly effective regulations, California's Low Carbon Fuel Standard (LCFS), and Oregon's Clean Fuels Program. Having the benefit of first-hand experience with these regulations, we write to express our strong endorsement of the potential for a national Clean Fuels Standard in Canada, and to offer our support.

Transportation sector emissions are challenging to address and require a broad portfolio of solutions, including electric vehicles, increased fuel efficiency, sustainable transportation systems and low carbon fuels. Achieving Canada's long-term goals will almost certainly require significant contributions from all of these approaches. Fuel carbon intensity regulations like the LCFS are a highly effective mechanism for promoting the full suite of low-carbon fuels in a technology-neutral fashion. Progressive reduction requirements provide a strong market signal to fuel producers, who can adapt to changing market conditions, minimizing cost to the consumer.

Fuel carbon policies like the LCFS ensure a smooth transition to sustainable fuels by utilizing existing vehicles, infrastructure, and technology. In California, most compliance credit has been gained by blending low-carbon components into conventional fuels, thereby reducing emissions while maintaining compatibility with the existing vehicle fleet. Existing refiners and fuel suppliers can invest in low-carbon fuels to reduce their average carbon intensity or generate credits, or can innovate to help avoid stranded refining assets. This investment preserves existing jobs while providing capital for innovative advanced fuel providers.

California's LCFS has reduced GHG emissions by more than 16.8 million metric tons since 2011. California fuel suppliers have banked over 7 million metric tons of extra reduction credits toward

future obligations. The LCFS has also incentivized a reduction in the average carbon intensity of alternative fuels by over 20 percent. Over two hundred businesses have registered as participants in California's LCFS credit market, generating over \$176 million (USD) of credit transactions, which represents a substantial pool of financial incentive for alternative fuel providers:

LCFS credit transactions transfer money from one fuel provider to another, which keeps the financial effects of the credit market within the fuel sector and insulates consumers from increases in fuel price. In California, price increases at the pump have been negligible, averaging far less than 4 cents per gallon (or about 1 cent per liter) and remain below that threshold even now, as the program's stringency begins its planned increase.

California's LCFS has provided incentive for advanced technologies to dramatically expand into transportation markets and has promoted innovative solutions for sustainable transportation. For example, LCFS credits have helped transit districts fund conversions to zero-emission electric or hydrogen buses, incentivized workplace electric vehicle charging programs, and provided critically needed support for biogas production at dairies, which then use the produced gas to fuel their delivery fleets. LCFS also provides significant benefits to air quality, since, in the overwhelming majority of cases, low-carbon alternative fuels produce fewer air pollutant emissions than their petroleum counterparts.

Oregon's program is off to a strong start, with a diverse set of low-carbon fuels already registered in the first 9 months. The program already is generating more carbon reductions than required.

Climate change is likely to be the defining public policy challenge of our time and it requires a suite of thoughtful, targeted solutions. A Clean Fuels Standard can be a critical element of a sound climate policy and, as California's experience with its LCFS has shown, yield substantial public and private benefits.

We believe that California, Oregon, and British Columbia's successful LCFS programs can serve as a model for a stringent Clean Fuels Standard in Canada. We look forward to sharing our experience and developing a cross-continental partnership for clean fuels.

Sincerely,

Jennifer Case, Chair
California Biodiesel Alliance

Eileen Wenger Tutt, Executive Director
California Electric Transportation Coalition

Thomas Lawson, President
California Natural Gas Vehicle Coalition

John Boesel, President and CEO
CALSTART

John Shears, Research Coordinator
The Center for Energy Efficiency and Renewable Technologies (CEERT)

Carol Lee Rawn, Director/Transportation Program
Ceres

Harrison Clay, President
Clean Energy Renewables

V. John White, Legislative Director
Clean Power Campaign

Meredith Connolly, Oregon Policy Manager
Climate Solutions

Johannes D. Escudero, Chief Executive Officer
Coalition for Renewable Natural Gas

Mary Solecki, Western States Advocate
Environmental Entrepreneurs (E2)

Graham Noyes, Executive Director
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Don Scott, Director of Sustainability
National Biodiesel Board

Simon Mui, Senior Scientist
Natural Resources Defense Council

Colin Murphy, Climate Policy Advocate
NextGen Climate America

Jana Gastellum, Program Director/Climate
Oregon Environmental Council

Neil Koehler, CEO/Co-founder
Pacific Ethanol

Jeremy Martin, Ph.D., Senior Scientist & Fuels Lead
Union of Concerned Scientists

Johanna Miller, Energy Program Director
Vermont Natural Resources Council

Sasha Pollack, Climate and Clean Energy Program Director
Washington Environmental Council