



August 3, 2018

The Honourable Wayne Easter, MP  
Chair Standing Committee on Finance  
House of Commons  
Ottawa, Ontario K1A 1A0

Dear Mr. Easter,

The Canadian Natural Gas Vehicle Alliance (CNGVA) is pleased to have the opportunity to provide input into the Federal Government's 2019 pre-budget consultations. Our submission outlines recommendations that support what we refer to as *Canada's Natural Gas Vehicle Opportunity* for fleets - specific areas where natural gas, renewable natural gas (RNG) and the natural gas vehicle (NGV) industry, in partnership with governments, can enhance Canadian productivity, support economic competitiveness and reduce emissions.

We strongly believe that policies encouraging the use of Canada's abundant and affordable natural gas in the transportation sector are in the public interest. Displacing higher emissions (often imported) fuels used by medium and heavy-duty transportation fleets with low-cost, clean-burning domestic natural gas will result in productivity and competitiveness gains for all Canadians today. Fleet adoption of NGVs remains low due to barriers such as higher capital costs, the need for additional refueling stations, and a lack of clarity with respect to regulatory and taxation impacts on Canada's transportation sector. The size of the opportunity is large and natural gas engine technologies are mature, commercially proven and readily available today.

The federal government can support the increased use of natural gas for transportation by:

- Recognizing the importance and role of NGVs explicitly in policies and regulatory initiatives that are supporting greenhouse gas and other emissions reductions and by providing policy certainty to enable long-term planning by fleets.
- Including NGV and infrastructure costs in federal-provincial funding agreements to assist municipalities and public transit agencies in adopting NGVs.
- Bridging the gap between today and implementation of proposed emissions reductions regulations by providing federal funding to:
  - Defray higher up-front costs associated with the acquisition of natural gas-powered vehicles – trucks, buses, marine vessels and locomotives;
  - Support additional development of public access refueling infrastructure and key highway, port and rail depot locations – to gain a critical mass to encourage greater adoption; and
  - Support NGV implementation projects including facility upgrades required to ensure workplace safety.
- Implementing policies which stimulate RNG supply and end use by fleets and ensuring use of conventional natural gas and RNG as compliance pathways for transportation in proposed emissions reductions regulations – the Clean Fuel Standard.

Industry-government partnerships are critical to reducing emissions in the transportation sector, advancing clean technologies, and ensuring the economy remains competitive by using clean, affordable natural gas.

Thank you for the opportunity to provide input and I look forward to discussing with Committee members our recommendations.

Yours sincerely,

Bruce Winchester, Executive Director



## Federal Pre-Budget Submission 2019

### Introduction

The CNGVA represents Canada's NGV industry. NGV technologies provide proven, commercially available transportation solutions for fleets that reduce emissions while using lower cost fuel. The CNGVA's membership includes leading Canadian companies involved in manufacturing, fuel and infrastructure supply, vehicle technology, consulting, research, and international project management. Our mission is to promote the sustainable growth of natural gas vehicles, refueling infrastructure, and renewable gaseous fuels for the benefit of Canada's economy and environment.

### The Significant NGV Opportunity in Canada's Transportation Sector

Transportation is a \$73 billion per year industry that employs 900,000 Canadians.<sup>1</sup> Almost everything that we produce, consume or export relies on this industry. Both productivity and competitiveness can be impacted as a result of increasing costs and technological changes in the transportation sector. According to Statistics Canada, petroleum is the overwhelming source of energy for this sector, consuming over 85 billion litres of this fuel each year, or about one quarter of total energy use in Canada.<sup>2</sup> According to Environment and Climate Change Canada's National Inventory Report, transportation is Canada's second largest source of greenhouse gas emissions.

The goods transportation sector – which for purposes of this discussion includes for-hire passenger transportation and public transit – accounts for fewer than three million vehicles, but consumes more than half of the transportation fuel and generates more emissions than personal transportation vehicles.<sup>3</sup> Unlike passenger vehicle emissions which have begun to decline, GHG emissions from medium and heavy-duty vehicles continue to grow, presenting a significant public policy challenge. Efforts to reduce these emissions and the associated costs will have a significant impact on Canadian productivity and competitiveness. These issues are further exacerbated by regulatory uncertainty. As governments in Canada grapple with policy options, there is a risk that both emissions reductions and competitiveness will suffer as consumers and industries will have to manage through regulatory uncertainty. Displacing higher cost and higher emissions traditional fuels such as diesel by encouraging fleets to utilize Canada's abundant and affordable natural gas is accordingly a very significant opportunity for policy makers. Unlike other alternative fuel solutions, NGV technology is mature with commercial products that can be readily adopted by fleets today.

### Cumulative Regulatory Impacts of GHG Reductions Measures

There are growing concerns among businesses about “regulatory pancaking” wherein each federal or provincial emissions or environmental policy, initiative or regulation adds another layer of cost that when added up can put many Canadian firms at risk relative to US and international competitors. While these initiatives will directly impact resource extraction, manufacturing and energy industries, two are of particular concern when it comes to transportation: the federal backstop price on carbon and the proposed clean fuel standard. The impact of carbon taxes is a direct increase on transportation costs. Similarly, the proposed clean fuel standard will oblige fuel suppliers to comply while transportation operators may ultimately have to deal with the financial consequences in the form of higher fuel costs.

NGVs are a cost-effective solution to lower a variety of emissions. With lower commodity costs and significantly lower emissions – up to 25 percent lower greenhouse gas emissions – NGVs are already delivering productivity and competitiveness gains. Leading marine and ferry operators in Canada are currently deploying natural gas ships in British Columbia and Quebec.

<sup>1</sup> Statistics Canada, System of National Accounts Table 381-0030, Energy Use in Canada & Environment and Climate Change Canada, National Inventory Report.

<sup>2</sup> Statistics Canada, Sales of Refined Petroleum Products Table 134-0003.

<sup>3</sup> Statistics Canada, Registered Vehicles by Type & Environment and Climate Change Canada National Inventory Report.



Over one half of all North American refuse vehicles purchased are powered by natural gas, and a growing number of transit agencies are using natural gas buses. Additional greenhouse gas emissions are possible with the use of RNG, while technologies such as the Cummins Westport near-zero NOx engines significantly reduce other types of local emissions. Despite long term benefits of lower costs and lower emissions, overall market adoption remains low, and in particular the on-road trucking industry needs information, capacity building, and most importantly, financial support.

When it comes to the adoption of new fuels and technologies – such as natural gas vehicles – long-term savings from a lower cost fuel might improve the investment case, but not if the regulatory path is unclear. Firms face significant difficulty in raising capital for expenditures prior to final regulatory guidance. To unlock investment opportunities now, the federal government should bridge the gap between regulatory development and implementation with up-front funding to support firms willing to invest today in emissions reductions. In transportation, this means continuing to provide funding for alternative fuel infrastructure, and providing new funding to offset up-front incremental capital costs for commercially available technologies and for safety upgrades to maintenance facilities.

## Recommendation:

- Outline a clear approach on all emissions reductions regulatory initiatives and to ensure clarity for the transportation sector, explicitly recognize in policies the importance and constructive role of NGVs.

## Public Transit Funding

The federal government provides significant funding for transit through the federal-provincial infrastructure and transit agreements. However, funding for speculative and expensive new technologies like battery electric buses puts transit system operational efficiency at risk. The up-front costs associated with battery bus technologies are at least double those of natural gas buses, and currently these do not have the range and capability required by transit agencies. By contrast, BC Transit's natural gas bus experience points to significant operational cost savings and GHG emissions reductions over existing diesel technologies.<sup>4</sup> Although BC transit incurred incremental up-front costs to switch to natural gas-powered buses, these are recouped in the first three to five years of the 15-year lifespan of a transit bus, resulting in savings for transit users and the local tax base. Local transit authorities can find emissions savings, even in the context of growing ridership and fleet sizes, by deploying NGVs.

## Recommendation:

- Refrain from overfunding speculative technologies like battery buses; encourage utilization of proven natural gas technologies by boosting funding for NGVs, natural gas fueling infrastructure and facility upgrades for municipal fleets and ports through federal-provincial agreements which reflect this approach.

## Goods Shipping and Transportation Sector

Canada's goods shipping and transportation industries face risks due to regulatory pancaking resulting from environmental regulations which will put upward pressure on costs which tend to be passed on to business and consumers – fuel in particular. Firms that are considering deploying NGVs must access capital and find the expertise to manage fuel switching to natural gas, which is a barrier to unlocking the competitive and productive advantages of utilizing NGVs.

As a variety of proposed and developing emissions regulations require significant and long-term consultations, goods shipping and transportation firms are pushing off investments in lower emission fuel technologies. Key lessons have been learned in

<sup>4</sup> BC Transit, Presentation to BC Tech Summit, March 2017. Showed 6-8 % GHG reductions, Nanaimo fleet with \$20,000 in monthly savings; and Kamloops fleet with \$25,000 in monthly savings.



jurisdictions like Ontario where Cap and Trade credits were sold for more than two years before emission reduction programs like the Green Commercial Fleet Program began funding any emissions reduction activities. The federal government must put funding on the table now to maximise the opportunity to reduce emissions.

CNGVA and others in the transportation industry are working with the federal government on a number of initiatives, including updating the Natural Gas Vehicle Deployment Roadmap.<sup>5</sup> Observations and recommendations in this brief are informed by this collaborative industry-government work, which will continue to be a cornerstone of our recommended approach to meeting emissions reductions targets that do not place productivity and competitiveness at risk.

## Recommendations:

- Provide up-front funding for fleets – on road, marine and rail – to defray a portion of incremental costs associated with the purchase of NGVs and de-risk investment.
- Provide funding to assist in the development of key refueling infrastructure –highway refueling, ports and rail depots – to deploy a critical mass of NGV refueling stations to encourage more fleet operators to switch.
- Provide project funding for required facility upgrades – for indoor maintenance facilities in particular – to ensure a safe workplace that can accommodate NGVs.

## Renewable Natural Gas (RNG)

Canada's natural gas industry is playing a leadership role in developing, deploying and supporting innovation and a variety of lower emissions technologies. Encouraging RNG supply and end use is another example of this leadership. Use of RNG in transportation can significantly further reduce NGV emissions and can be carbon neutral or in some cases is carbon negative. Supply of RNG in Canada is currently limited to 12 operational RNG sites. Contrasted with other renewable energy sources, RNG has not yet received an appropriate level of federal funding or policy support.

## Recommendation:

- Implement policies which stimulate RNG supply and end use by fleets, while ensuring RNG is a compliance pathway for transportation in proposed emissions reductions regulations, such as the Clean Fuel Standard. CNGVA recommends the federal government implement the Canadian Gas Association's proposal for a six-year \$750 million fund for the advancement of RNG in Canada.

## Unlocking Canada's Natural Gas Vehicle Opportunity

Providing fleets, including public transit agencies, with funding to de-risk up-front investments in NGVs will pay dividends in terms of both increased productivity and competitiveness. Supporting greater fleet adoption of mature NGV technology will deliver significant emissions reductions today. Future regulations can continue to support these efforts – but failure to take action now risks missing this opportunity for Canadians.

<sup>5</sup> Natural Resources Canada, Natural Gas Use in Canada's Transportation Sector (<http://cngva.org/media-resources/transportation-roadmap/>)