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Standing Committee on Natural Resources
Sixth Floor, 131 Queen Street
House of Commons
Ottawa ON K1A 0A6
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Dear Committee Members;

SUBJECT: Supplementary Brief in Support of the Committee's Study on the Low-Carbon and Renewable Fuels Industry in Canada

I would first like to thank you for the hard work of the Committee with regards to your study on the low carbon and renewable fuels industry in Canada. We appreciated the opportunity to appear before the Committee on May 7 and offer the following brief as a supplement to our appearance, addressing some questions which arose during that and subsequent meetings of the Committee.

The Canadian Fuels Association represents the producers, distributors and marketers of liquid fuels including biofuels, gasoline, diesel, jet fuel as well as specialty fuels and lubricants. We meet 95 percent of Canadians' transportation fuel needs and produce more than 25% of Canada's biofuels. Our facilities also make asphalt and feedstock for chemical and lube manufacturing facilities. Together, our members¹ represent 117,000 workers who are on the job 24 hours a day, seven days a week, at Canada's 16 refineries, more than 90 fuel terminals and 12,000 retail sites.

Last Fall, we released [Driving to 2050](#) in which we outline the role the transportation fuels sector can play in Canada's low-carbon economy and the significant opportunities we see to advance the production and use of low-carbon liquid fuels in Canada and to accelerate **large scale GHG reductions starting today, using proven technologies**.

We are pleased to see government funding to support adaptation of low-carbon transportation fuels through programs such as the Low-Carbon Fuel Fund. This funding will allow the transportation sector to make real progress in Canada's drive toward a low-carbon economy starting now while other low carbon technologies such as carbon capture utilisation and storage and advanced biofuels scale up. Reducing

¹ Canadian Fuels members: Federated Co-operatives Limited, Imperial Oil Limited, Irving Oil, North West Redwater Partnership, Parkland Corporation, Petro-Canada Lubricants Inc., Shell Canada Limited, Suncor Energy Products Partnership, Tidewater Midstream and Infrastructure Ltd. and Valero Energy Inc.

the carbon intensity of liquid fuels using the existing infrastructure also presents a unique opportunity to make meaningful, cost-effective GHG emissions reductions that are compatible with the current vehicle fleet. Over time, a wider range of vehicle types and fuels will be needed to meet Canada's climate change targets.

Hydrogen – the focus should be on reducing carbon intensity not colour – All types of hydrogen will have a role to play in Canada's low-carbon future, and our focus should be carbon intensity of hydrogen and its potential to reduce emissions across sectors of our economy. Moreover, a focus on 'colour' vs carbon intensity could stifle innovation and infrastructure investments critical to unlocking the emissions reduction potential of all forms of hydrogen.

Decarbonization opportunities of hydrogen are likely to be realized on a longer timeline than those of other low-carbon transportation fuels – This underlines the need to use all available hydrogen sources as early as possible to ensure supply chain resiliency as new hydrogen production is established. A variety of hydrogen production sources will also best support the consumer confidence needed to consider hydrogen-fuelled vehicles. This means producing grey and blue hydrogen to start lowering carbon intensity while giving time for green hydrogen production to commercialize.

One common life cycle approach – All transportation fuel types must use a common life cycle analysis (LCA) approach to ensure environmental goals are met efficiently and not at the expense of different technologies. Careful adherence to technology neutral, outcome-based solutions utilizing a robust LCA approach will also ensure innovation and allow the market to determine the optimal pathways to lower GHG emissions.

We would also like to take this opportunity to address the following topics that arose over the course of this study:

Innovations in advanced biofuels mean that low-carbon fuel and robust food production are no longer mutually exclusive – For example, the ethanol produced from corn uses only the starch from the grain while the remaining protein, fat and minerals are returned to the animal feed market in the form of distiller's grains which makes feed less expensive. In terms of grocery costs, these are largely driven by energy costs and do not significantly increase with the price of corn which means that limiting ethanol production would not meaningfully lower corn prices, but it would take away important revenue streams and jobs away from rural Canada and Canadian farmers. Finally, innovative agricultural practices are increasing yields and lowering carbon intensities of grains without compromising food markets for grain.

All transportation fuel options will play a role – A wide variety of new and existing transportation alternatives and fuels will be needed to meet Canada's climate change targets while maintaining reliable, affordable and efficient mobility for people, goods and services. Each option, whether electrification, biofuels, hydrogen or lower carbon petroleum fuels have a meaningful role to play as fit

for purpose low carbon fuels. At the same time, each alternative will be constrained by different factors and we recommend that governments adopt a technology-neutral approach and allow markets and consumer preferences determine the best pathways to meet climate goals.

Finally, we would also like to take this opportunity to again provide the Committee three specific recommendations which we believe to be critical to the success of the low-carbon and renewable fuels industry in Canada:

1. Align and integrate federal and provincial policies to accelerate production and use of low carbon fuels in Canada

- Currently, there is an opportunity to collaborate with provincial governments to align, enhance and build on strategies/frameworks for low carbon fuels, hydrogen and electrification.
- When it comes to regulations, tax incentives and funding programs to drive change with a common goal of reducing emissions in both the short and long term, it is important that they share common structures such as quantification methodologies, targets (volumetric vs carbon intensity) and complementary credit generation and funding criteria.
- We support the principle of a Clean Fuel Standard. Compliance will require high levels of investment so we need long-term regulatory certainty to support those investments.

2. All programs and policies should support investments in production and infrastructure to ensure low carbon fuels are readily available to Canadian consumers

- Canada's existing refineries, fuel terminals and retail sites are strategic assets that can be leveraged and adapted to support expanded use of biofuels across the country.
- When looking at building new infrastructure, it is important to conduct life-cycle analysis.
- In order to meet our climate goals in timely and efficient way and maintain reliable and affordable supply of low carbon fuels, all facets of the fuel supply chain must be considered from production to terminals and retail sites across Canada. Support for many of these smaller businesses will ensure broad availability of these low carbon products as they will need facility upgrades to provide these products to Canadians.

3. Ensure North American alignment of biofuels policies

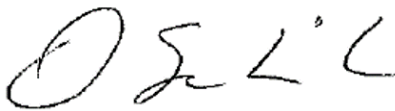
- The North American Fuel Market is highly integrated. Canada-US biofuels policies must operate in unison.
- As the Canadian demand for biofuels increases, we have an opportunity to produce and use Canadian made biofuels. Incentive programs, feedstock eligibility and trading flexibility are all examples of measures that, if significantly different, will influence the flow of low carbon fuels between Canada and the US.
- Discussion in committee around the California and British Columbia LCFS regulations and their capacity to build markets helped illustrate the need for North American regulation alignment.

We were pleased to see that Committee members and witnesses agreed with many of our recommendations during the course of this study. Constructive discussions around leveraging existing infrastructure and a wide range of hydrogen production support the critical pathways Canada will need to reach its climate goals. While it has been said many times already, the key for us is a technology-neutral approach. When avoiding picking winners and losers, technology-neutral regulations will create an environment where Canadian innovators and industry can pave a path to a low-carbon economy without compromising our energy security or economic competitiveness.

Low-carbon liquid fuels could contribute more than a 50% emissions reduction in the transportation sector by 2050. The only way to get to net-zero is to consider multiple pathways, such as ethanol, bio-based diesel, hydrogen and other advanced biofuels, as well as electrification. This will require significant investments of more than \$20 billion to \$30 billion and a strong supply chain for feedstock, production, refining, blending and retail access. Let's all collaborate to ensure that these investments occur in Canada, that the fuels are produced in Canada, and that consumers have access to these low-carbon fuels.

Thank you again for undertaking this important study and we look forward to the Committee's final report.

Sincerely,

A handwritten signature in black ink, appearing to read 'DSL' with a stylized flourish at the end.

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