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Cam Carruthers  
Executive Director, Oil, Gas and Alternative Energy Division  
Environment and Climate Change Canada  
Via email: ec.cfsncp.ec@canada.ca

Friday, January 19<sup>th</sup> 2018

## Re: Clean Fuel Standard Regulatory Framework

Dear Mr. Carruthers,

TAF is pleased to see development of the Clean Fuel Standard regulatory framework. This element of the Pan-Canadian Climate Framework is critical to achieving Canada's climate commitments and positioning Canada as a leader in the growing clean energy economy. The Clean Fuel Standard is essential in order to reduce emissions related to transportation, industry and building sector fuels. With estimates projecting that the Standard will reduce 30 million tonnes of carbon dioxide a year by 2030, we are keen to see the successful development of this policy.<sup>1</sup> Especially given that countless studies have proven that switching to cleaner fuel sources is imperative if we are to reach our 2030 and 2050 national reduction targets.<sup>2</sup>

We would like to commend the government for the inclusion of the following elements included in the Clean Fuel Standard:

### **Inclusion of the Building and Industry Sector**

Canada would be the first country to extend their clean fuel standard to the building and industry sectors. TAF sees this as an exciting opportunity to lead climate change mitigation policy on the world stage.

### **Partitioning requirements**

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<sup>1</sup> <https://www.theglobeandmail.com/report-on-business/rob-commentary/how-a-clean-fuel-standard-will-build-an-industry/article37067163/>

<sup>2</sup> <http://cleanenergycanada.org/wp-content/uploads/2017/11/CleanFuelStandardReport-FINAL.pdf>

While TAF is excited about the inclusion of buildings, industry and transportation in the clean fuel standard, it is essential that these sectors are partitioned in order to ensure meaningful reductions across all sectors. In particular, it is important that the transportation sector achieve significant improvements in carbon intensity rather than delaying action by purchasing credits from other sectors. Currently, transportation accounts for 28% of Canada's emissions and it is essential that we achieve meaningful reductions in this industry in order to reach our climate targets.<sup>3</sup>

TAF would like to highlight several areas within the proposed Framework that gave us concern, and warrant additional consideration when moving forward the development and implementation of the Clean Fuel Standard.

***TAF recommends that Indirect Land Use Changes are incorporated in the Clean Fuel Standard.*** TAF recognizes that there exists significant uncertainty on the precise impact of indirect land use change on emissions savings associated with various biofuels. However, we still feel that including the provision of ILUC is a stronger approach than to exclude it entirely from the Standard. For example, many attribute the success of the low carbon fuel standard in California in large part to its ability to accurately capture carbon intensity values through its use of indirect land use changes.<sup>4</sup>

***If the government decides not to include ILUC initially, it should signal a strong commitment and a timeline for introducing it in a future update.*** The complete exclusion of ILUC from the CFS, absent a strong commitment and schedule for introducing it, will send the wrong signal to the renewable fuels industry. There is a risk that the policy will inflate demand for certain biofuels beyond what is sustainable or rational given the true net lifecycle GHG impacts. As a result, incorporating ILUC in a subsequent update may be more disruptive than necessary and result in stranded assets.

Additionally, excluding ILUC will result in underinvestment in those renewable fuels with lower or no ILUC emissions - the very areas where the policy framework should seek to focus investment.

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<sup>3</sup> <http://cleanenergycanada.org/wp-content/uploads/2017/11/CleanFuelStandardReport-FINAL.pdf>

<sup>4</sup> [https://www.theicct.org/sites/default/files/publications/ICF\\_LCFS\\_Biofuel\\_Categorization\\_Final\\_Report\\_011816-1.pdf](https://www.theicct.org/sites/default/files/publications/ICF_LCFS_Biofuel_Categorization_Final_Report_011816-1.pdf)

***TAF recommends that the CFS be carefully designed to ensure that all compliance options - including renewable fuels and electrification - compete on a level playing field.*** The Clean Fuel Standard should be technology neutral, allowing the market to dictate the extent to which various fossil fuel alternatives are adopted to curb GHG emissions, based on cost effectiveness and carbon impact.

TAF supports the government's stated intent to include compliance pathways based on electrification in addition to those based on renewable fuels. However, we are concerned that establishing a market and supply of compliance credits based on electrification will be more challenging and complex than for renewable fuels based credits. Careful consideration is needed as to how to structure, establish and support a market for electrification credits. Absent a viable market for electrification credits, electrification and renewable fuels will not truly be competing on a level playing field.

**Finally, TAF recommends that the government ensure a transparent decision making process** through publishing the methodology for the calculations related to standards and the creation of a clear schedule for updates related to the standard. A key element of transparency that the government should address is ensuring that the industry supports and trusts the data sources used in the calculation methodology. This includes including stakeholder participation, data transparency, acknowledging the importance of protecting commercially sensitive information and permitting opportunities for industry groups to vet the data.<sup>6</sup> TAF recommends the use of NRCanada's GHG Genius as it is established and is generally supported by industry members.

The proposed Framework is a great start to the development of a clean fuel standard. I look forward to continued opportunities to engage with the Ministry and other stakeholders throughout the policy development process.

Sincerely,

Bryan Purcell  
Director of Policy & Programs  
The Atmospheric Fund

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<sup>6</sup> [http://biofuelnet.ca/wp-content/uploads/2017/09/2017.07.03\\_BFN\\_Policy-Brief\\_Best\\_Practices\\_for\\_Biofuel\\_Policy.pdf](http://biofuelnet.ca/wp-content/uploads/2017/09/2017.07.03_BFN_Policy-Brief_Best_Practices_for_Biofuel_Policy.pdf)