

April 25, 2017

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Re: Clean Fuel Standard: Discussion Paper Response

The Canadian Canola Growers Association (CCGA) has followed with great interest the government's engagement with Canadians regarding the development of a Clean Fuel Standard (CFS) and are pleased to make a submission in response to the Discussion Paper issued in February 2017.

CCGA represents 43,000 canola growers and is governed by a Board of farmer directors representing all provinces from Ontario west to British Columbia. Canola is Canada's number one cash crop for Canadian farmers, and the total economic impact of the Canadian canola industry exceeds \$26 billion per year, including through more than 250,000 Canadian jobs and \$11.2 billion in annual wages. Canola is an increasingly important industry that fuels Canada's economy and delivers significant economic, environmental and social benefits for Canadians.

The development of the Clean Fuel Standard (CFS) has a clear outcome to reduce greenhouse gas emissions by 30 megatonnes (MT), contributing to Canada's commitment to reduce greenhouse gases by 30% by 2030 from 2005 levels. To meet these goals, CCGA strongly believes that the government must seek to develop a comprehensive strategy which includes policies with a proven track record of emission reductions and which provide incentives for adoption.

Canadian canola is a high-quality domestic input (feedstock) for the production of renewable fuels worldwide. Canola is processed into low carbon biofuels, such as biodiesel, renewable hydrocarbon diesel, and renewable aviation fuel, and can be utilized as a biocrude feedstock at petroleum refineries to lower the greenhouse gas emissions of refined fuels.

For the purposes of this submission, our recommendations focus on the role that canola biofuels (biodiesel and renewable hydrocarbon diesel) can play in helping to reduce GHG emissions from Canada's transportation sector.

We recommend that Canada's clean fuel strategy should:

- Incorporate the implementation of an expanded federal renewable fuel standard for diesel of 5%;
- Include minimum carbon performance thresholds for renewable fuels;
- Require supply chain accountability;
- Provide timely public reporting.; and
- Partition the transportation sector within the CFS from buildings and industrial fuels.

Interconnected Role of Renewable and Clean Fuel Standards

Renewable fuel standards are integral and complementary to Canada's CFS objectives by delivering emissions reductions, reducing reliance on non-renewable fuels, and contributing to the transition to a low-carbon economy.

CCGA encourages Environment and Climate Change Canada to consider the extremely positive role that the current federal Renewable Fuel Standard (RFS) serves, through the *Renewable Fuels Regulations*, and the immediate and quantifiable emissions reductions a strengthened RFS can deliver as a critical component of the CFS in addressing emissions from the transportation sector. In fact, it is our view that without a parallel strengthened RFS mandate under the CFS, the government's ambitious GHG emissions reduction commitments will be especially difficult to meet.

A strengthened RFS is a key component of any effective climate policy and emissions reduction strategy and, with the proper policy support, it has the potential to deliver further reductions immediately. Renewable fuel standards and low-carbon fuel standards are proven to work, having reduced annual carbon pollution in 2014 by 4.3 megatonnes CO₂ equivalents, equal to taking one million cars off the road.

British Columbia, in particular, has recognized the importance of implementing volumetric requirements for blending biofuels in concert with a CFS, and have achieved success with their current model. We strongly recommend that the federal government look to this approach as a model for its own framework.

Strengthening Existing Regulatory Frameworks to Drive Results

A clear and effective RFS mandate has been shown to transmit market signals and provide sufficient market stability to influence commercial action. An appropriately designed RFS mandate, coupled with the CFS, can be a successful public policy tool that places the onus on the obligated parties for compliance through market-based mechanisms. It does not necessarily require extensive use of government resources or ongoing program expenditure.

To strengthen the current RFS and implement an effective CFS mandate that is directly linked to reducing transportation sector greenhouse gas (GHG) emissions to meet Canada's energy and climate action policy goals, CCGA recommends four elements be incorporated:

1. Increase Federal Renewable Diesel Mandate to 5%

Increasing the federal renewable diesel mandate to 5% will stimulate long-term low carbon fuel demand and, ultimately, significantly lessen tailpipe and GHG emissions from the transportation sector. A clear market signal may induce the build-out of related supply and distribution infrastructure, and may spur significant private regional investment to meet the demand. A graduated increase in the mandate, from the current 2% to 5% in 0.5% increments (e.g. over five years) would allow all affected parties to prepare and meet compliance in an orderly manner.

According to calculations using GHGenius (v4.03), a 5% RFS for diesel, if fulfilled entirely by canola biodiesel, will reduce GHG emissions by 5.2 million tonnes per year, equal to taking more than a million cars off the road and fulfilling 17% of the annual stated reduction objectives of the CFS.

2. Include Minimum Carbon Performance Thresholds

A requirement for reduction of 50% carbon intensity, as compared to standard fossil diesel fuel, should be applied on each litre of biofuel to assure GHG reductions are achieved. To ensure consistency across the country, full life-cycle carbon intensity should be determined by use of GHGenius (v4.03, or most current), an internationally recognized lifecycle assessment (LCA) model which is currently housed within Natural Resources Canada and uses Canadian data. Without an appropriate carbon reduction mechanism, renewable fuel standards can be met by high carbon, imported biofuels which is counterproductive to the public policy goals of establishing a strengthened federal mandate under a CFS.

Furthermore, as the science-related impacts from indirect land-use changes (ILUC) continues to evolve, it is our view that ILUC calculations should not be included under the CFS until a consensus has been reached on a measurement approach that is based on the most recently available data, offers comparable consideration for fossil fuels, and considers Canadian-specific conditions.

3. Require Supply-Chain Accountability

Adopting ‘renewable biomass’ requirements for eligibility under the RFS and CFS will ensure biofuel feedstocks are sustainably produced (e.g. avoiding sensitive habitat destruction, questionable labour practices, etc.). This position is aligned with the Environmental Protection Agency regulations under the Renewable Fuel Standard (RFS2) in the USA.

4. Provide Timely Public Reporting

For stakeholders (and government itself), improved compliance reporting should be considered. Good public policy requires the regulators to have access to accurate, timely data to assess the mandate’s effectiveness in meeting policy objectives and recommend changes and improvement.

Public reporting of results will aid the marketplace in understanding investment opportunities and implementing the most efficient market strategies. Public reporting should be of reasonable

frequency, such as quarterly or semi-annually, and should include the volume and type of fuel used towards regulatory compliance (e.g. biodiesel or renewable hydrocarbon diesel), the fuel feedstock, and the carbon intensity.

The CFS and the Transportation Sector

In Canada, approximately 24% of total GHG emissions come from the transportation sector. The use of conventional diesel fuel for heavy duty on- and off-road uses will not be displaced in the near future – it will continue to underpin transport (trucks and rail) and heavy machinery used in primary commodity production (such as agriculture, mining, forestry, etc.) for some time. It is here where biofuels have an immediate and quantifiable carbon-reducing role to play.

In the design of the CFS, the transportation sector should be partitioned and dealt with separately from buildings and industrial fuels sectors. The transportation sector has an existing and proven regulatory structure, with existing and functioning markets that has proven its ability to deliver results. Increases to the RFS could be implemented quickly, however combining non-transport fuel regulations with transportation fuels regulations in the CFS would add unnecessary complexity and would delay the almost immediate GHG reductions that could be received through the transportation sector.

An increase in the existing federal renewable diesel mandate from the current 2% to 5% will have the immediate public policy benefit of reducing GHG emissions from the transportation sector and may set the stage for further private sector regional economic development (for feedstock producers and potential new supporting supply chain infrastructure). A mandate, gradually increased, is a prudent, market-based and practical way for governments to capture the extremely positive environmental, health and economic development aspects of renewable fuels without direct financial incentives, cumbersome and complicated programs and oversight regimes.

Sustainability and Environmental Benefits of Canola-Based Biofuels

Canola production today is more sustainable than ever before as our industry is deeply committed to reducing the environmental and carbon footprints of our activities – both through GHG emissions reductions and improved ecosystem quality. Farmers are using crop inputs more efficiently, burning less fuel, and sequestering more carbon in soil. For example, in just one year of growing Canadian canola, farmers have reduced one billion kilograms of carbon dioxide emissions – equivalent to removing nearly 500,000 cars from the roads – by adopting conservation tillage methods. In addition, canola produces more oil per unit of seed than other oilseeds, giving biodiesel producers greater efficiencies from canola than seeds with lower oil contents.

Even with reduced crop inputs, Canadian farmers are producing greater crop yields on the same number of acres which has positive implications for both environmental stewardship and farm profitability. Agronomic advances have ensured that the industry is growing more than enough canola to accommodate a growth in demand for canola-based biofuel production, without affecting the supply of canola oil for food and cooking oil. At the same time, the overall growth

in supply of canola is helping to meet the demands for high quality protein supplies for animal feed.

Conclusion

Renewable fuels, made from Canadian canola can directly help the government meet the intended long-term policy goals of the CFS. Canola biofuels are a clean burning and proven to deliver immediate GHG reductions, significantly reducing air toxins, air particulates, and other harmful airborne emissions. Using canola as the feedstock for renewable diesel fuels, such as biodiesel, reduces lifecycle greenhouse gas emissions by 90% compared to fossil diesel.

Modestly increasing the use of biofuels in Canada will offer consumers and industry more selection at the pump, and improve competition in the transportation fuel sector. Effective biofuel policies can create a vibrant and competitive renewable fuels value chain in Canada, with benefits for domestic feedstock producers, processors, and other participants in the industry. Biofuels have helped, and will continue to help, Canada achieve its broader environmental, social, and economic goals.

As the government considers policy options to reduce emissions from the transportation sector, CCGA supports strengthening the existing renewable fuel policies under the framework of a CFS.

Canola-based biofuels will help the government meet its public policy goals of emissions reduction in the transportation sector, while advancing progress in the bioeconomy sector. A CFS, coupled with a parallel effect to enhance the RFS, remains the best means for the government to attain its 2030 GHG emissions commitments in the transportation sector. Setting a strong renewable fuels mandate will use domestic feedstock, employ regional biodiesel producers and support our country's broader environmental, social and economic goals, while creating a level of certainty for domestic feedstock demand for the marketplace.

Thank you for the opportunity to provide our perspective on this issue.

Sincerely,

Original signed by

Rick White
Chief Executive Officer
Canadian Canola Growers Association