July 17, 2013

Leif Stephanson,
Chief, Fuels Section
Oil, Gas and Alternative Energy Division
Environment Canada
351 Saint-Joseph Boulevard, 9th Floor
Gatineau, Quebec K1A 0H3

Re: Comments on the Proposed Regulations Amending the Renewable Fuels Regulations

Dear Sir:

The Canadian Canola Growers Association (CCGA) and the Canola Council of Canada (CCC) strongly oppose the amendments proposed in the Canada Gazette Part 1, published May 18th, 2013.

The CCGA represents 43,000 canola growers nationwide and the CCC represents the full canola value chain that includes seed developers, farmers, processors, and exporters of canola. Canola is a very important cash crop for farmers and the national economy. Canadian farmers received $8.1 billion in cash receipts from canola sales in 2012 – the largest single source of farm income. Canola generates $15.4 billion dollars per year in economic activity across the entire value chain and supports 228,000 jobs.

After reviewing the proposed regulations and the Regulatory Impact Statement, the proposed amendments will erode the benefits of the existing 2% mandate, increase the uncertainty and risk in the value chain, and risk the consistency of a national mandate. The accompanying submission details our concerns.

The CCGA and CCC support the *Renewable Fuel Regulations* unaltered, and appreciate the opportunity to provide comment into this process.

Sincerely,

Rick White
Canadian Canola Growers Association

Jim Everson
Canola Council of Canada

Submission regarding the proposed
Regulations Amending the Renewable Fuels Regulations

July 17, 2013

Introduction

The Canadian Canola Growers (CCGA) and Canola Council of Canada (CCC) are pleased to provide comments on the proposed amendments to the Renewable Fuels Regulations (Regulation), as published in the Canada Gazette Part 1 on May 18th, 2013. The CCGA and CCC represent the entire canola value chain in Canada.

Our associations continue to support the federal government's leadership in establishing a national 2% biodiesel mandate, which came into force on July 1, 2011. This is a progressive and strong policy position benefitting Canadians by reducing emissions, spurring jobs and growth in rural Canada and creating investment in new technologies. The current proposed amendments to the Regulation effectively reduce the full scope of originally intended benefits for Canada as it:

1. Erodes the benefits of the 2% mandate and reduces the opportunity provided by a domestic market for renewable biodiesel made with Canadian canola -- a superior feedstock;
2. Increases uncertainty and risk for investment in the domestic value chain; and
3. Risks the national consistency delivered by a national mandate.

CCGA and CCC oppose the proposed amendments to the Renewable Fuels Regulations and support the Regulations remaining in their current form.

Eroding the Benefits of the Current Mandate

Excluding one specific oil sub-product, distillate heating oil, from the national 2% mandate, under the proposed amendments to the Regulation is estimated to remove approximately 70 –

80 million litres of annual demand for renewable fuel. Providing regulatory exclusion for one sub-product segment and market on the basis of the analysis provided in the Regulation Impact Analysis Statement (RIAS) is problematic. The RIAS used to support the proposed amendments is based on questionable methodology and assumptions; the calculation of the cost-benefit ratio is not in line with Treasury Board Guidelines and the improper assumptions of carbon and diesel price falsely lend support to the proposed amendments.

Most noteworthy though, the RIAS erroneously assumes that hydrogenation-derived renewable diesel (HDRD), which is made from imported palm oil and tallow, is preferred in industry over biodiesel made from canola. This assumption is in contrast to compliance data from provincial biodiesel mandates that show empirically, rather than through consultation, that HDRD only represents approximately 23% of renewable diesel and biodiesel the remainder. The preference for blending canola biodiesel by diesel suppliers will mean that demand for canola and the quantified benefits of using it will be reduced when 70 - 80 million litres of renewable diesel are removed from the diesel pool. As a result, modelling assumptions used to underpin the proposed exclusion in the Regulation need to be adjusted in the RIAS to account for the preference of canola biodiesel and the RIAS needs to be updated with a modern version of GHGenius (Version 4.03) to accurately account for the foregone benefits of canola biodiesel use for Canadians if the amendments were implemented. This will alter the output of the analysis upon which the proposed amendments to the Regulation for excluding heating oil distillate are largely based.

Canadian canola oil is a superior feedstock for the blending of biodiesel, and this 70 - 80 million litre reduction of annual demand will negatively affect Canada's canola value chain by decreasing marketing opportunities and reduce the proven socio-economic benefits that canola-based biodiesel provides to Canadians such as:

- Emission Reductions: The latest life cycle assessment (GHGenius Version 4.3) of the production and use of canola biodiesel shows a GHG reduction of 94% over diesel compared to 0% for palm based HDRD.
- Health Benefits: Biodiesel reduces urban smog and other harmful diesel pollutants (and associated health costs).
- Economic Activity**:** Rural economic growth and prosperity as a result of stable returns for growers and their input suppliers, canola crushers, and biodiesel producers as well the positive externalities that accrue across the entire agricultural value chain. Biodiesel demand is particularly important as it provides a steady domestic market for canola that may not be of export quality.

Increasing Uncertainty and Risk for Investment in the Domestic Value Chain

In reaction to commitments from the federal and provincial governments that encouraged biodiesel, there have been significant investments made in crop production, biofuel refining and distribution, and blending infrastructure across western and central Canada over the past several years. Canola biodiesel plants are currently under construction in Alberta that represent an additional 330 million litres of biodiesel capacity.

The Canadian canola industry has also committed to a strategy to sustainably increase production and demand to 15 million tonnes by 2015, a portion of this demand is attributed to biodiesel production. Driven by a collective goal and the commitment of the federal government through the Renewable Fuel Regulations, the canola industry has invested in production to meet the demand created by a 2% biodiesel mandate. This investment has created jobs and growth in rural Canada. For example, more than $1.6 billion has been invested in the canola crushing sector in the last four years to produce more canola oil domestically. Some of this oil is destined for biodiesel. Changing the commitment of the federal government at this time creates uncertainty and undermines the investment made in the sector – investment that is creating jobs and growth in rural Canada.

As Canada's biodiesel industry moves out of relative infancy and new plants come online, reducing national biodiesel demand through an erosion of the national mandate is counterproductive. Our associations are concerned that these amendments will send the wrong policy signal to those actors currently making business and risk decisions on further investment in the domestic canola and biodiesel industries, and in its place, the use of inferior globally imported fuel additives is problematic.

Preserving the National Scope of the Mandate

A further issue which this regulatory amendment process highlights is that to be effective, a national mandate needs to be national in scope and application. One temporary exemption has already been granted for the Maritimes for both diesel and heating fuel, giving the blending industry time to comply. Any move to grant additional exclusion (temporary or permanent) seriously puts into question the fundamental intention and operational veracity of the Regulation.

The Government of Canada has previously stated that biofuel mandates are a pathway for Canada to become a clean energy leader: "These regulations will help Canada reach our goal of becoming a clean energy leader, Our Government supports biofuels and other alternative fuels as part of our commitment to reducing Canada's total greenhouse gas emissions by 17 percent, from 2005 levels, by 2020." said Christian Paradis, former Minister of Natural Resources. Incrementally reducing the demand for renewable fuels (especially those where the renewable

component is entirely domestically sourced) via the proposed amendments to the Regulation and any potential future geographically-based exclusion, is clearly counterproductive to these goals. Over time, this may render an ineffective national mandate comprised of a regulated patch-work of included and excluded sub-products and geographical regions, largely based on the effectiveness of specific interest advancement within the sector.

Conclusion

The CCGA and the CCC do not support the proposed amendments to the *Renewable Fuels Regulations.* It is a fundamental erosion of the national 2% mandate and has associated negative implications of decreasing domestic demand for renewable biofuel inputs, such as canola, will increase investment risk for the burgeoning canola biodiesel industry, and put the national consistency of Canada's biofuel strategy at risk. Sending unclear or mixed policy signals to Canadians, industry and the markets, as the proposed amendments to the Regulation will do, is detrimental to advancing broad national environmental policy goals, and the attendant positive benefits to the domestic canola value chain.

Measures should be taken to protect, if not increase, the national mandate to unlock further benefits to Canadians and continue creating jobs and growth in rural Canada. Negative implications can be avoided by not proceeding to amend the Regulation as currently proposed.