January 31, 2019

Cam Carruthers
Executive Director, Oil, Gas and Alternative Energy Division
Clean Fuel Standard
Energy and Transportation Directorate
Environment and Climate Change Canada
351 St. Joseph Boulevard, 12th Floor
Gatineau QC K1A 0H3

Sent to: ec.cfsncp.ec@canada.ca

Dear Mr. Carruthers,

Re: Clean Fuel Standard: Comments on Regulatory Design Paper

The Canadian Canola Growers Association and Canola Council of Canada are pleased to offer our views on the Regulatory Design Paper (RDP), released in late December 2018. We have participated in this process since the outset and find this approach very promising.

We are encouraged that the RDP proposes to implement regulations for liquid fuels first, which is expected to result in up to 23 million tonnes of greenhouse gas (GHG) reductions by 2030. Low carbon fuels derived from canola feedstock such as biodiesel and renewable diesel have a proven track record of reducing GHG emissions. The canola industry is well positioned to support further investments in low-carbon fuel production in Canada and contribute to future GHG reduction targets.

While we appreciate the government's recognition that the liquid fuel stream provides the greatest opportunity for GHG reductions, the canola industry continues to be concerned about the potential impacts of including gaseous fuels in the scope of the CFS. Under the federal carbon pollution pricing system, canola processors have been identified as energy intensive and trade exposed, thus vulnerable to competitive pressures associated with an additional levy (cost) on fossil fuels such as natural gas. A CFS that mandates or encourages increased renewable content in gaseous fuels could increase the cost of the fuel – and by extension, the cost of production for large natural gas consumers (including canola processors), who will already be subject to regulatory obligations under the carbon pollution pricing system. Our industry recognizes that various approaches/measures need to be considered to achieve GHG reductions across all sectors of the economy, however, these measures should not be duplicative in nature or place multiple regulatory obligations (and costs) on the same GHG emissions.

In the coming months, as the Department begins to translate the RDP into the proposed regulations for publication in *Canada Gazette I*, we reiterate two major areas of requiring careful examination: indirect land use issues and the development of the life cycle assessment modelling tool.

Indirect Land Use Change

We support the decision to not include indirect land use change considerations in the publication of this regulation. As page 5 of the RDP states, "*Carbon intensity values will not include an estimate of greenhouse gas emissions at this time*…" adding that "…*Consideration is being given to including criteria designed to protect against significant adverse indirect land use impacts*.". As submitted on August 24, 2018, we support the position that carbon intensity values should not include an estimate of the impact of indirect land use change (ILUC) on GHG emissions. Excluding ILUC will improve regulatory stability and aid in aligning GHG reduction targets with deliberate outcomes. As the understanding of potential impacts from ILUC, and other indirect effects, continue to evolve, our view remains that these calculations should not be included under the CFS until scientific consensus and modelling stability of the measurement approach is achieved; until such time it remains a contested premise, both in theory and in practise.

Canada's agricultural practices are among the best in the world, and the sustainability and environmental impacts are well documented. Canola is the only Canadian crop to have growers certified by the International Sustainability and Carbon Certification (ISCC) body which targets GHG emissions, sustainable land use and protection of natural habitats. Canola as a feedstock is excellent as a result.[1] Therefore, we suggest that ECCC should carefully consider the impacts of the CFS design on Canadian agriculture and forestry, and ensure that any inclusion of indirect effects, or feedstock inclusion parameters are based on sound science and evidence, and uniformly and fairly applied across all fuel supply systems. Sustainability performance is an area of competitive advantage for Canadian canola. The sector has engaged extensively with sustainability issues via multiple projects that monitor and enhance the environmental performance of canola cultivation. Specific focus is placed on ensuring that canola meets and exceeds sustainability criteria in established renewable fuel policies like the EU RED, as well as being designated as an approved feedstock in the US RFS2. The Canadian canola sector continues to be responsive to the sustainability requirements of export jurisdictions. Canola remains a preferred biofuel feedstock under renewable fuel policies that incorporate sustainability criteria.

With regard to the various "ILUC proxy criteria" that may be under consideration for inclusion in the launch of the regulation, we advise ECCC to examine this issue with great caution. Although stakeholders currently have no concrete details on this matter, we understand what the policy rationale behind these potential criteria may be from the view of the regulator. The definition, detail and scope of these criteria are crucial, as they can have wide-ranging ramifications in the global marketplace. ECCC is advised to consult with Agriculture and Agri-Food Canada colleagues and with domestic feedstock providers (e.g. crop-based, forestry-based, etc.) on specific proposed criteria, prior to deciding on including these types of measures in the regulation. Canadian canola is recognized internationally for sustainable production practices, the design of new domestic regulations should avoid placing any new administrative burden on the sector. We recommend that ECCC does not rush the inclusion of these potential criteria.

Fuel Life Cycle Assessment Modelling Tool

The new fuel lifecycle assessment (LCA) modelling tool that is currently under development is on an ambitious timeline. The importance of this model as the primary regulatory compliance tool for the CFS requires prudent development. It is critical that the model be defensible from its launch and that its methodological underpinnings and the carbon intensity scores that it produces are

[1] http://www.ccga.ca/policy/Documents/Sustainability-201810.pdf

valid. It is understood that proposed or interim values may be available in mid-2019, and this is important for stakeholders to understand and respond to as required to ensure the model is appropriately 'calibrated'. In short, the transition from GHGenius to the new fuel LCA model cannot ultimately produce markedly different carbon intensity numbers for existing fuel pathways of a given feedstock. For instance, canola biofuels have long-standing pathways within the GHGenius model, and great effort and resources have been expended to ensure that the carbon intensity values produced by that model reflect the latest state of the science and practice. This is critical not only to domestic regulatory compliance but also in terms of supporting our global product differentiation and market access. Vastly differing results could lead to unproductive argument over its design and delays in acceptance and adoption of this tool.

Additionally, once launched, the transparency of review and decision-making regarding future changes to carbon intensity values within the regulatory tool must be undertaken according to a published process with the highest level of defensibility. To support this goal, ECCC should consider establishing an independent oversight or advisory committee to generally watch over the technical decisions and changes made to the model once functioning.

Thank you for the opportunity to provide our perspective on these issues.

Sincerely,

Original signed by

Rick White
Chief Executive Officer
Canadian Canola Growers Association

Original signed by

Jim Everson
President
Canola Council of Canada