



February 13, 2018

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Original to follow by mail

Honourable Catherine McKenna
Minister of Environment and Climate Change Canada
200 Sacre-Coeur, 2nd Floor
Gatineau QC K1A 0H3

RE: Clean Fuel Standard Regulatory Framework

Dear Minister,

The Business Council of British Columbia appreciates the opportunity to provide comments on the proposed Clean Fuel Standard Regulatory Framework released by your department in December 2017.

We support the elimination of the federal Renewable Fuels Standard (RFS). History shows that when governments establish solutions via prescriptive regulations, this often impedes efficient and effective market innovation. No one knows what technologies will dominate in the future. Directing results (i.e., type of technology or, in this case, fuels and fuel additions) requires subsidies, leads to increased costs for industry and consumers, provides few opportunities to scale up outcomes, and – in the case of fuel standards – will limit carbon reductions. On the other hand, every time government defines a schedule for the removal of pollution precursor content (e.g., lead, SO₂, halocarbons, etc.), the market responds with innovation. Simply put, the social benefits of the RFS are few and mainly involve a transfer of domestic wealth that could be used better elsewhere.¹

We also support the concept of carbon intensity (CI) and reducing CI over time, but not on a fuel-by-fuel and sector-by-sector basis. The latter approach perpetuates the many negative attributes of the RFS, creates unnecessary complexities, fosters inefficiencies, and fails to facilitate competition among suppliers in search of least-cost compliance pathways. Rather, we suggest the government consider our original sales portfolio approach (SPA) - see the

¹ <https://ecofiscal.ca/wp-content/uploads/2016/10/Ecofiscal-Commission-Course-Correction-Biofuels-Report-October-2016.pdf>, <http://www.aei.org/publication/biofuels-the-renewable-fuel-standard-and-the-farm-bill/>.

attached April 24, 2017 [submission](#) – which would produce a flexible structure that encourages both the creation of a market and innovation within this market. It would also be consistent with the outcome-based measures in place in Alberta and contemplated in Canada’s carbon pricing backstop.

An SPA allows market participants to mix and match fuel options to reach an overall carbon intensity level, removing the need for governments to set regulations specifying individual CI content by fuel or by sector. That said, fuel lifecycle analysis (LCA) of GHGs may continue over time, with results included in a reference table that can be modified when warranted. But completing fuel LCAs does not have to stand in the way of implementing an SPA. Further, an SPA removes the complications associated with establishing exemptions for particular fuels and users. It also gets closest to the consumer, where behavioural change is most needed, and where the failures of the current GHG accounting system² are particularly evident. Finally, the Business Council is concerned with a focus on individual sectors, as this relies on a model and model results that lack transparent assumptions, leading to greater complexity, uncertainty, and administrative burden.

An SPA approach mirrors the success Canada had in getting lead out of gasoline. In this case, the regulation of the day allowed obligated parties to comply jointly and bank unused lead entitlements. With this foundation, gasoline vendors built and managed an efficient secondary market for entitlements, without any government interference, quota auctions or interventions. As a result, Canada removed lead from gasoline two years before the United States, and many years earlier than the European Union.

We believe one single standard for all energy product/service suppliers (i.e., no differentiation among vendors, fuels, or sectors) can achieve more substantial reductions in carbon intensity, harness the creative potential of the market, enable healthy domestic competition, and help manage the risk of carbon leakage – all while lowering the carbon intensity of the energy Canadians depend on.

The Business Council, established in 1966, is an association representing 260 large and medium-sized enterprises active in every sector of British Columbia’s economy. We are a public policy organization, providing research, analysis, commentary, and advocacy on issues relevant to strengthening Canadian and BC competitiveness and prosperity. We support competitive taxes, effective and nimble regulation, and responsible fiscal policies to enable vigorous

² See the attached February 2018 edition of our *Environment and Energy Bulletin* entitled “2015 Paris Agreement – About, Achievements, and Accounting.” It is also available at: <http://www.bcbc.com/publications/2018/2015-paris-agreement-about-achievements-and-accounting>.

business activity and provide the resources necessary to pay for education, health care, and other public services for citizens. We have a proven record of constructive policy advocacy on environmental sustainability, economic reconciliation with First Nations, innovation and productivity, climate change and energy, tax and fiscal policy, sound regulation, trade policy, and the development and attraction of skills and talent.

Our members come from all major sectors of the province's economy, including forestry, energy, mining, manufacturing, transportation, advanced technology, health research and life sciences, tourism, retail and wholesale trade, construction, utilities, postsecondary education, and professional, scientific, and technical services. Taken together, the enterprises, academic institutions, and sectoral associations affiliated with the Business Council account for approximately one-quarter of all private sector payroll jobs in BC.

Sincerely,



Jock Finlayson
Executive VP and Chief Policy Officer



Denise Mullen
Director of Environment and Sustainability

DM/vjc
Attachs.